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DAILY REPORT

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CSSR RADIO ON VORONTSOV GENEVA APPOINTMENT

LD121024 Bratislava Domestic Service in Slovak 0606 GMT 12 Jan 87

[Ivan Mjartan report]

[Text] It is generally known that the issue of nondeployment of weapons in space plays an important role in the Soviet program on complete liquidation of nuclear arms in the whole world by the end of this century. And this is logical. It is hardly any use to limit armaments on a certain part of the surface of the earth and at the same time to give the go-ahead to the far more dangerous systems of weapons in space. The consistent character of the Soviet policy in the past year, as summed up by Comrade Mikhail Gorbachev last Saturday in his message to Javier Perez de Cuellar, UN secretary general, anticipates the readiness of the Soviet Union to look for mutually acceptable solutions and compromises that would remove worries of both sides and liquidate the existing danger for the world and world security. The Soviet Union also holds this stand at the bilateral Geneva talks, the further round of which should start this week. Vladimir Solecky, our permanent correspondent in New York, reports on the attitude of representatives of the White House to these talks:

[Solecky, in Czech] A majority of U.S. mass media has reported that the Soviet Union, in an obvious attempt to emphasize the importance of the Geneva talks on the limitation of nuclear arsenals, has upgraded its diplomatic representation in Geneva by appointing Vorontsov, first deputy minister of foreign affairs, as head of the Soviet delegation. The White House, however, obviously does not intend to respond by a similar step. Max Kampleman, who remains the head of the U.S. delegation, has said that the United States does not plan any new proposal when the talks resume. Another round of the talks is to start on Thursday.

Defense Secretary Weinberger has negatively marked the renewal of the talks by some of his utterances about the so-called Strategic Defense Initiative. Reagan's projects of militarization of space are, in his opinion, too important for the United States to be a subject of negotiations. Weinberger also said yesterday that he would strive for the earliest possible firm approval of the President for the gradual deployment of components of this program in space, according to which the first elements of the system could be deployed within a few years. Supporters of the military-industrial complex in Reagan's government thus obviously want to make sure that some military projects become conclusive reality before the departure of President Reagan from the White House.

[Mjartan] The Czechoslovak press agency has only just reported that today's NEW YORK TIMES announced that the United States plans to carry out the first nuclear test this year on 5 February. The daily also adds that the United States will carry out a total of six nuclear blasts in the first half of this year.

RADIO REPORTS SENTENCING OF ITALIAN FISHERMEN

AU081513 Tirana Domestic Service in Albanian 1430 GMT 9 Jan 87

[Text] The trial concluded yesterday in Vlore of eight Italian fishermen seized while fishing in Albanian territorial waters, and in the vicinity of Vlore, on the fishing boats bearing the names Rass and Giana. The Vlore District Court, after considering the case, expressed the verdict that six of the fishermen should be given suspended sentences of from 4 to 10 months of privation of freedom and were released to their country. At the same time the two boats were also ordered to be sent back. As for the two captains of the boats, the court sentenced them to 1 year of privation of freedom each. Both have appealed to the High Court against the judge's decision, asking for the annulment of their sentences. As was learned, the High Court will consider the case soon.

BASHKIMI ON U.S.-SOVIET RIVALRY IN 1986

AU091458 Tirana BASHKIMI in Albanian 1 Jan 87 p. 4

[Unsigned article: "The Peoples Cannot Accept the Monopolization of World Affairs by the Two Superpowers"]

[Text] The year 1986, which has just ended, was of particular significance for our people. The AWP celebrated the 45th anniversary of its foundation and held its ninth congress which rendered an account of our achievements in every sphere of life and set out new and even greater tasks to make our homeland even more beautiful, more prosperous, and always free. The systematic report delivered by Comrade Ramiz Alia, AWP Central Committee first secretary, and all the proceedings of the congress expressed unshakable determination to forge constantly ahead on the road of our unforgettable leader Comrade Enver Hoxha, to always follow the Marxist-Leninist line in domestic and foreign policy, which has ensured Albania's independence and high reputation and prestige in the world. Young and old in our country embarked upon 1987 with revolutionary optimism, with boundless faith in the party and its Central Committee with Comrade Ramiz Alia at its head, confident in tomorrow and in an even more lovely future.

Our people never view their great labor of construction in isolation from what happens in the world and around us. They have followed with justifiable concern the further exacerbation of the international situation during 1986 caused by the headlong preparations of the world for war by the superpowers and their military alliances. They also followed the deterioration of the economic and financial crisis in the world, with the despairing attempts of the industrialized countries to cast the burden of the crisis onto others, and the multinational corporations' manipulation of the prices of minerals and oil to the detriment of producing countries. In particular, our people followed with close attention the intensive efforts exerted by the rulers of the two imperialist superpowers to concentrate world affairs in their hands and to become arbiters of the destinies of others. Relying upon the profound class analysis which the party has made of world affairs, our people have never remained passive toward these developments. They have drawn the appropriate conclusions, increased the defense capability of the homeland, and raised their mobilization to fulfill all their tasks punctiliously, to preserve our economic stability.

The year 1986 witnessed a further exacerbation of American-Soviet confrontation. "American-Soviet confrontation," Comrade Ramiz Alia stressed at the Ninth AWP Congress, "constitutes today one of the foremost expressions of interimperialist contradictions. [paragraph continues]

It transforms the world into a battlefield in which each superpower strives with all the resources at its command to ensure its political hegemony and economic dominance in every continent." Whether in the United States or in the Soviet Union, policies and ideology are subject to feverish plans of preparation for general war and local wars. Never before has the cult of military might and the philosophy of aggression been transformed into such a totally dominant ideology and a concrete policy in foreign relations as in the major imperialist states. Never before has mankind been confronted with annihilation on such a scale as the atomic war with which the superpowers are threatening the world.

The most dynamic efforts in the field of science and technology, and limitless financial resources which are reckoned in hundreds of billions of dollars each year, are expended for war. More than 450,000 American troops are stationed in bases in 41 countries of the world. More than 200,000 are now enrolled in the infamous Rapid Deployment Force, ready at any moment to hurl themselves into action in defense of the "vital interests" of America. The whole political course of the Reagan government in 1986 has revealed even further, as our party has stressed, that American imperialism represents today the greatest political, military, and economic force of capitalism, and also the most aggressive force of our time, the chief shield of the bourgeois system and the world center of international reaction. At the same time, the year 1986 witnessed the further deepening of the hegemonistic course of the Soviet social-imperialists. More than 55,000 Soviet military instructors are distributed around many countries of Asia, Africa, and Latin America. More than 650,000 Soviet troops are stationed in other countries. And the implementation of a scorched earth policy to maintain their power in Afghanistan and to eliminate the struggle of this freedom-loving people, the aggressive and hegemonistic course of the Soviet Union, witness that they, together with American imperialism, are today the foremost enemies of the peoples. They have their finger in every local and regional tension and conflict.

The year 1986 began with the propaganda of the two superpowers with its euphoric commotion about the results of the face-to-face meeting of Reagan and Gorbachev in Geneva, Switzerland; it continued with the repeated meetings of the American and Soviet Foreign Ministers Shultz and Shevardnadze; the year finished with the abortive Reagan-Gorbachev meeting in Reykjavik, and was seen out with an intensification of contacts for preparing another meeting between them. Imperialist propaganda attempted to instill into the peoples the idea that the destiny of the world is in the hands of the superpowers, that the fate of the peoples and of other countries depends upon harmony or discord between them, and that other countries must sit back passively and watch the Americans and the Soviets monopolizing world affairs. The objective is that between them they will issue edicts to divide up zones and spheres of influence, so that the peoples will lose confidence in their own strengths and will seek salvation under the smothering American or Soviet umbrella, so that Washington and Moscow will lay down the law for the world. This makes it even more vital, as Comrade Ramiz alia stressed at the ninth party congress, for the peoples of the world not to tolerate the transformation of their countries into objects of American-Soviet rivalry nor into battlefields for the contests of the superpowers. Nor must they tolerate or foster illusions that alleviation of the dire situation in the world might come from an agreement between the chiefs of the two superpowers.

The year 1986 also saw an unprecedented escalation of imperialist commotion over the so-called defense of human rights. It is characteristic that the more aggressive and hegemonistic activity of the superpowers increases and the more they intensify their efforts to rule and enslave others, the more noise is made claiming that it is the United States that holds the flag in defending human rights, in bringing the Helsinki Charter into action, etc. [paragraph continues]

World developments during 1986; the open defense of the ugly inhuman acts of the South African racists; guaranteed assistance and support to such dictatorial regimes as that of Pinochet in Chile or Chon Tu-hwan in South Korea; repeated aggression against Libya; the undeclared war of the United States against Nicaragua; fanning the flames of the Iraq-Iran war to the detriment of the interests of the people of the two countries; filling Europe with armaments, nuclear missiles, and chemical weapons by one or other of the superpowers; inciting armed conflicts in Lebanon, Chad, and elsewhere in the world all go to prove that, with their supposed defense of human rights and struggle against "terrorism," the superpowers and the other imperialist powers seek to justify their intervention in the internal affairs of the peoples of sovereign countries and to lay down the law in the internal lives of others.

Socialist Albania has not only never accepted the paternalism of the superpowers and their efforts to monopolize world affairs but has also predicted the danger posed by illusions of the benefits to the cause of peace that can supposedly be attained by meetings between the imperialist chiefs or the assorted farces of European security or disarmament, which are manipulated by Washington and Moscow in their own interests. In its policies, which correspond to the interests of the homeland and support the aspirations of the peoples to be free and independent, Albania has set an example in not permitting either bases or troops of the superpowers on its own territory. Albania has not accepted and does not accept imperialist assistance and credit and is proud of not owing anybody a penny. Our people won freedom and independence through war, through the blood of their finest sons, and through innumerable sacrifices. Our partisan brigades and divisions, in bitter conflict with the Nazi-fascist enemy, liberated the whole of Albania, town by town. Albania relies for its beautiful present life and secure future upon the sweat and labor and the products of the mind of the Albanian, not permitting anybody to dictate or lay down the law on Arberian [medieval name for Albania] soil. By this example, with its frankness and courage in unmasking the enemies of the peoples and of peace, socialist Albania, with its consistent policy of good-neighborliness, increased even further in 1986 the prestige and good reputation it enjoys as a factor for stability in the region.

PEOPLE'S ASSEMBLY ELECTION CANDIDATES APPROVED

AU101603 Tirana ATA in English 0730 GMT 10 Jan 87

["Announcement of the Central Commission of Elections on the Registration of the Candidates for Deputies to the People's Assembly" -- ATA Headline]

[Text] Tirana, January 10 (ATA) -- The press reports that in its meeting on January 9, 1987 the Central Commission of Elections to the People's Assembly was informed that the meetings of the people for the discussion and endorsement of candidatures of deputies to the People's Assembly, presented by the Democratic Front organisation, ended all over the country. The meetings were held in an atmosphere of special impetus and mobilisation of the workers, cooperativists and all the working masses to translate into life the historic decisions of the 9th congress of the party and to go to the election day with as many successes as possible. In these meetings the people discussed and unanimously approved the candidates for deputies. They are the finest sons and daughters of the people, who have claimed distinction in various fields of the activity for the construction of socialism and the defence of the victories achieved. These meetings revealed once again the militant unity of the people round the party, its Central Committee with Comrade Ramiz Alia at the head. After getting acquainted with the documents of the commissions of election precincts, the Central Commission of the Election observed that the registration of all the candidates for deputies to the People's Assembly has taken place in full conformity with the requirements of the law "On the Elections to the People's Assembly." The election commissions of 250 precincts have registered the 250 candidates proposed for deputies to the People's Assembly.

LEADERS' PUBLIC APPEARANCES 28 DEC-10 JAN

AU102054 [Editorial Report] Sofia Domestic Service in Bulgarian in its newscasts monitored from 28 December 1986 through 10 January 1987 reports the following public appearances of Bulgarian leaders (time and date of each broadcast given in parentheses):

Dimitur Stoyanov, candidate member of the BCP Central Committee Politburo and minister of internal affairs, chaired a meeting of the Central Road Safety Commission in Sofia. (2030 GMT 28 December)

Georgi Yordanov, candidate member of the BCP Central Committee Politburo and chairman of the Intellectual Development Council and the Committee for Culture, attended a piano recital given by Alexis Weissenberg in the Lyudmila Zhivkova People's Palace of culture and presented the Madara Horseman Order to Weissenberg. (2030 GMT 2 January)

Stoyan Markov, candidate member of the BCP Central Committee Politburo, first deputy chairman of the Council of Ministers, and chairman of the State Committee for Research and Technologies, attended a joint meeting in Varna of the okrug BCP Committee and okrug people's council, which adopted a program for the okrugs scientific and technical progress during the Ninth 5-Year Plan period.

ZHIVKOV MEETS AUSTRIAN CP CHAIRMAN MUHRI

AU081440 Sofia BTA in English 1247 GMT 8 Jan 86

[Text] Sofia, January 8 (BTA) -- Mr Todor Zhivkov, secretary general of the CC of the BCP, had a meeting today with Mr Franz Muhri, chairman of the Communist Party of Austria [KPO] who is on a brief visit to this country. The two party leaders expressed their common understanding that the realities of our nuclear century require new political thinking and concrete action in order to avert the growing threat of nuclear holocaust at a time when the international situation has been further exacerbated by imperialism. In this connection they spoke in support of the peace proposals and initiatives of the Soviet Union. The two politicians gave full backing to the position of the USSR at the Reykjavik summit.

Mr Todor Zhivkov and Mr Franz Muhri agreed that it is now more necessary than at any other time in the past to strengthen the unity of the communist parties of all countries and to promote the dialogue and cooperate between all democratic and peace-loving forces. The two politicians reiterated their willingness to further develop the ties between the Bulgarian Communist Party and the Communist Party of Austria on the basis of Marxism-Leninism and proletarian internationalism. These links are in the interest of the peoples of the two countries and help strengthen peace and progress.

Mr Dimitur Stanishev, secretary of the CC of the BCP, also took part in the talks.

BRIEFS

USSR TV IN VARNA -- The citizens of our biggest Black Sea city received a wonderful New Year's present. The relay station for receiving the multihour programming of Soviet television, has begun its test run. This became possible through the "Orbita-2" system, the Statsionar" satellite which constantly orbits over the Atlantic, and the "Moscow-B" receiving station. The program can be received on Channel 31. The new relay station covers the entire city of Varna and the Black Sea resort. [Text] [Sofia RABOTNICHESKO DELO in Bulgarian 2 Jan 87 p 2 AU]

HONECKER GRANTS INTERVIEW TO JAPANESE DAILY

LD091841 East Berlin ADN International Service in German 1305 GMT 9 Jan 87

[Text] Tokyo, 9 Jan (ADN) -- The Japanese newspaper ASAHI SHIMBUN on Friday published an interview which Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR State Council, granted to the newspaper's chief foreign political editor and a correspondent of the paper. Here follows the text of Erich Honecker's interview:

Question: We are pleased that relations between the GDR and Japan have strengthened since your visit in 1981 and we now hope that the visit by Mr Nakasone in January will strengthen these relations. How do you see the current state of our relations? How and in which spheres can the two countries continue to work together?

Answer: I look forward with great interest to the visit by Prime Minister Yasuhiro Nakasone to the GDR. It is an important international event and will, I am certain, contribute to the strengthening of political dialogue and, therefore, to the promotion of security and trust. We also expect it to lend impetus to the expansion of cooperation between our two states, which entered a new phase with my visit to Japan in 1981. The agreements reached between the two sides at the time have been fulfilled. Thus the exchange of political views has become a firm element of cooperation; trade and economic exchange is flourishing and cultural relations are being maintained at a high level.

This does not, however, exhaust the possibilities of working together for our mutual benefit and for peace and stability in the world. The GDR is interested in continuing the political dialogue with the Japanese Government and parliament and in developing it on an even more regular basis. At the same time, we are willing to cooperate to gain even greater benefit for both sides with regard to the economy, trade, and science and technology. Cultural exchanges also could be strengthened in both directions. Good, stable relations of peaceful coexistence between the GDR and Japan are not merely of mutual benefit, they can, at the same time, promote an improvement in the present tense international situation.

Question: There has been a series of changes in Japanese politics since 1981. The government of the Liberal-Democratic Party stabilized after the results of the double elections of summer 1986. On this basis, the Nakasone government reached a decision regarding Japanese participation with the U.S. in SDI research and the 1 percent limit of the Gross National Product for the country's defense expenditure, which is exceeded in its 1987 draft budget. How do you see the development of good, stable relations of peaceful coexistence between the GDR and Japan against this background?

Answer: Relations of peaceful coexistence between states with different social systems are not simply relations of coexistence but of cooperation aimed at maintaining peace. Certainly, there have been changes in Japanese domestic policy since my visit in 1981. However, I proceed on the assumption that relations between our two states, based on the interests of both sides, will continue to develop constructively. We also have noted with satisfaction the recent statement by Prime Minister Nakasone that Japan will continue to adhere to the three nonnuclear principles (FINANCIAL TIMES interview). It is in accordance with the interests of our two states to eliminate nuclear weapons throughout the world.

Question: You visited the PRC and the DPRK last fall. How do you see the process of modernization in China, particularly in the economic sphere? How will relations between the two Korean states develop in future? What can be done to help stabilize the situation on the Korean peninsula? Will the GDR take part in the 1988 Olympics?

Answer: My official friendship visits to the DPRK, the PRC, and the MPR [Mongolian People's Republic] were a contribution to even closer cooperation among the socialist states in the interests of strengthening socialism and safeguarding peace. I had an intensive exchange of experiences with leading Chinese representatives on the building of socialism in our states. We were able to familiarize ourselves more closely with the successes of modernization in China and the increasing level of production in industry and agriculture. In my view, changes reaching far into the future are taking place in China. The Chinese people are doing great things in building a new socialist society.

As for your question about the development of relations between the two parts of Korea, the GDR supports the DPRK's proposals on transforming the Korean peninsula into a peace zone free of nuclear weapons, and on a trilateral DPRK-U.S.-South Korean talks. The significance of the a priori concession by the DPRK on 1 February 1986 to halt all major military maneuvers on its territory and dispense with all military exercises during dialogue with South Korea was, unfortunately, not recognized by the other side. Thus it remains to hope that realism and a willingness for peaceful dialogue with all the relevant sides ultimately will prevail.

As you probably know, over 400 GDR sportsmen and sportswomen were chosen as candidates for the 24th Summer Olympics. We are guided by the fact that the international Olympics movement closely combines competitive sport, international understanding, and a desire for peace. We therefore understand the DPRK's desire to hold some of the games on its territory. In this sense, the GDR's NOC [National Olympic Committee] will continue to actively support all efforts by the DPRK's NOC to reach a viable agreement on this.

Question: You said in your answer that a "new socialist society" is being constructed in China. What do you mean by this? It is comparable to what is being striven for in the USSR? How do you see economic developments in Hungary? What sort of policy in the GDR pursuing in this sphere and how do you regard the differences in economic policy between the socialist states.

Answer: The socialist states fundamentally agree in their striving to give greater dynamism to the socialist economy. In this, each country must take into consideration its own level of development and history, resulting in differences in approach. As for Hungary's economic policy, we have a high regard for the results achieved. On the basis of decades of experience, the GDR has defined an economic policy that is in line with its own circumstances and potential. On this basis, the process of intensification of the economy was introduced in the early 1970's. This secured the GDR's position among the world's 10 economically strongest states.

Question: How do you view recent relations between the GDR and the FRG? In what areas can the two German states work together? A Bonn visit by you in the near future has been mentioned recently. When will the visit take place? How do you assess the political climate in the FRG? The Bundestag elections are taking place in the FRG at the end of January. What results can be expected?

Answer: Relations between the GDR and the FRG, despite some strains in the current election campaign, have developed well in the political, economic and cultural spheres. As in the past, both the GDR and the FRG continue to be guided in their foreign policy by the principle that never again must war, but only peace, emanate from German soil, from which two terrible world wars originated. I think this will remain the case in the future, too.

We are willing to play our part. I would like to demonstrate this with the GDR's support for freeing the world of all nuclear weapons by the year 2000, as proposed by Mikhail Gorbachev in Reykjavik, for a 50-percent reduction in strategic offensive weapons, for the withdrawal of the medium-range missiles from Europe, for a halt to all nuclear tests, for adherence to the ABM Treaty, and for a radical reduction in conventional armaments and armed forces from the Atlantic to the Urals.

The economic relations between the GDR and FRG are developing favorably for both sides. Cultural exchanges are also developing in line with the cultural agreement. A visit by me to the FRG is not topical at present. Let's wait and see.

As far as your question regarding the Bundestag election is concerned, we regard the election, in line with principle of noninterference, as a matter for the FRG and not the GDR.

Question: The Soviet-U.S. Reykjavik summit in October brought no concrete results. What should the United States and the USSR do now to restore detente? And what should the European countries do to improve the regional political situation? What is the GDR's role in this matter.

Answer: The Reykjavik summit has shown that it is possible to achieve far-reaching reductions in nuclear weapons and to set up reliable barriers against a new round of the arms race in space and on Earth. Due to the U.S. adherence to its space militarization program, this possibility must not be allowed to fall behind what was achieved in Reykjavik. This result should, therefore, be given permanence and open questions should be further discussed. At the same time the sides involved should exercise restraint in further arming themselves. In this area the United States unfortunately has given negative signals with its breach of SALT II and its permanent rejection of Soviet proposals on halting nuclear weapon tests.

In Europe, conditions for the elimination of nuclear weapons on this continent must be improved through intensive political dialogue among states. In our view, negotiations should start immediately on reducing the high concentration of conventional weapons in Europe. The socialist countries have submitted proposals for this, too.

I am convinced that the door to negotiations between the USSR and the United States will remain open and that the talks will lead to results sooner or later. Neither state can disregard the international situation and the attitude of world public opinion. They acknowledged this in the statement that nuclear wars cannot be conducted and cannot be won. It is thus my personal expectation that the two powers will make progress in arms control and disarmament negotiations in order to eliminate the possibility of war.

HONECKER HAILS NEW NICARAGUAN CONSTITUTION

LD100015 East Berlin ADN International Service in German 2204 GMT 9 Jan 87

[Text] Berlin, 9 Jan (ADN) -- Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR Council of State, conveyed to Daniel Ortega Saavedra, member of the National Executive of the Sandinist National Liberation Front [FSLN] and president of the Nicaraguan Republic, the National Executive of the FSLN, and the people of Nicaragua cordial congratulations on the announcement of the country's new Constitution.

"With sincere joy and satisfaction," the telegram says, "the citizens of our country welcome this historic act which proves the ability and determination of the Nicaraguan people to control their own fate." It is emphasized that the process of democratic renewal of the country, begun with the overflow of the hateful Somoza regime on 19 July 1979, has thus reached its climax.

Erich Honecker says in conclusion that the GDR would continue to stand firmly in friendship and solidarity by the side of the Nicaraguan people.

LEADERS GREET CAMBODIAN LEADERS ON ANNIVERSARY

AU091251 East Berlin NEUES DEUTSCHLAND in German 7 Jan 87 p 1

[Text] Berlin (ND) -- Erich Honecker, general secretary of the SED Central Committee and chairman of the GDR State Council; Willi Stoph, chairman of the Council of Ministers; and Horst Sindermann, president of the GDR People's Chamber; have addressed the following telegram to Heng Samrin, general secretary of the Central Committee of the Kampuchean People's Revolutionary Party [KPRP] and chairman of the State Council of the People's Republic of Kampuchea [PRK]; to Hun Sen, chairman of the Council of Ministers; and to Chea Sim, chairman of the National Assembly:

Esteemed Comrades:

On the eighth anniversary of the founding of the PRK, we convey to you, the KPRP Central Committee, the State Council, Council of Ministers and to the entire fraternal Cambodian people most cordial greetings and congratulations on behalf of the SED Central Committee, State Council, Council of Ministers, the GDR People's Chamber, and on our own behalf.

The GDR people are following with attention and sympathy how the fraternal Cambodian people, filled with verve and creative vigor, are implementing the decisions of the Fifth KPRP Congress. We would like to cordially congratulate you on the results obtained in these efforts. We wish you great new successes in further strengthening people's power and in establishing a new society in your country.

We are convinced that the close fraternal relations of friendship and cooperation between our parties, states and peoples will deepen continuously on the basis of the principles of Marxism-Leninism and in the spirit of the treaty of friendship and cooperation for the benefit of our peoples, of peace and socialism.

We wish you, esteemed comrades, creative vigor, good health, and further success in your responsible activity.

Erich Honecker
General Secretary of the SED Central Committee and
Chairman of the GDR State Council

Willi Stoph
Chairman of the GDR Council of Ministers

Horst Sindermann
President of the GDR People's Chamber

ANGOLA SIGNS \$100-MILLION CREDIT AGREEMENT

LD092121 East Berlin ADN International Service in German 1526 GMT 9 Jan 87

[Text] Luanda, 9 Jan (ADN) -- The GDR has granted Angola a credit worth \$100 million. The Angolan news agency ANGOP reports that the money is to be used in the period to 1990 for the purchase of equipment, trucks, and consumer goods. The credit agreement was signed in Luanda by Wolfgang Rauchfuss, deputy chairman of the GDR Council of Ministers, and Maria Mambo Cafe, Angolan minister of state for economic and social affairs.

BRIEFS

LICENSES FOR PRC, DPRK -- The Frankfurt (Oder) semiconductor works has concluded license agreements in the fields of microelectronics with partners in socialist countries in Asia for 1987. Thus, the PRC is acquiring the technology for assembling a special circuit for keyboards together with the required equipment. The DPRK will start the manufacture of selected bipolar solid body circuits. Both agreements provide not only for the supply of pertinent technical documents, but also for the training of specialists. A new level of scientific-technical cooperation with these two countries is achieved by means of this new form of granting licenses. The Frankfurt (Oder) semiconductor works, the largest manufacturer of microelectronic circuits in the GDR, is increasingly becoming a partner in trade with licenses, for which there is a great demand. [Text] [East Berlin NEUES DEUTSCHLAND in German 20-21 Dec 86 p 2 AU]

AID SHIPMENT FOR MOZAMBIQUE -- During the weekend, a GDR solidarity shipment for the People's Republic of Mozambique was handed over in Maputo. It comprises, among other things, clothing and footwear, food, building and office materials, and laboratory equipment. At an impressive solidarity rally at the Maputo port in which Jose Luis Cabaco, secretary of the Central Committee of the Mozambique Liberation Front Party, and General Secretaries Augusto Macamo of the OTM Trade Union Federation and Abner Sansao Muthemba of the Association for Friendship and Solidarity Among Peoples (AMASP), participated, GDR Ambassador Dr Helmut Matthes praised the solidarity between the peoples of the two countries. The GDR will always stand at the side of the People's Republic of Mozambique in its struggle against underdevelopment and starvation, and for the defense of independence, national sovereignty, peace and progress. [Excerpt] [East Berlin NEUES DEUTSCHLAND in German 22 Dec 86 p 2 AU]

PUBLIC BONDS FOR SCHOOL CONSTRUCTION ISSUED

WA081953 Budapest NEPSZABADSAG in Hungarian 3 Jan 87 p 4

[Text] On the first work-day of the New Year the city council and Komarom county administrative leaders of the National Savings Bank [OTP] signed a contract of cooperation to issue public bonds. According to the agreement, the city council will issue bonds worth 50 million forints to improve educational conditions. The OTP will take care of the printing, marketing, and the redeeming of the bonds. Three schools will be built in this mining town during the Seventh 5-Year Plan: a high school, a commercial trade school, and an elementary school. The three institutions will cost 500 million forints; the bonds will cover a part of this amount. The bonds with an 11-percent return and a 5-year term will be issued in March in denominations of 10,000 forints in Tatabanya and Budapest.

MSZMP SECRETARY GROSZ SUMMARIZES ECONOMIC TASKS

AU120937 Budapest NEPSZAVA in Hungarian 24 Dec 86 p 3

[Article by Karoly Grosz, Politburo member and first secretary of the Budapest MSZMP Committee: "Creative Man"]

[Excerpts] The most debated domestic policy issued of 1986 has justly been the situation of the country's construction. [passage omitted] Some of the opinions exaggerated our problems with the intention of compromising the reform of economic management and the political and economic leadership. According to some views, we will be in such a bad economic and situation within 1 or 2 years that it will result in an economic and social crisis. The majority of people are hopeful, but at the same time feel insecure. They are hopeful because the economy is functioning, there are goods to buy, there are more jobs than are demanded, and many people live better than they deserve to, based on their work. However, people also see those whose life is difficult and who have to count every penny twice. In any case, opinions are different regarding the future and especially the method of solution. The various views include references to our total defenseless against the world economy, the simplification of matters by removing some of the leaders, and cool-headed and capable thinking. [passage omitted]

This varied and many-sided picture has been clarified by the 19-20 November resolution of the MSZMP Central Committee and the lively parliamentary debate over the 1987 plan and budget which was presented to the country. The press, radio, television and social organizations all share the work of answering the questions on people's minds. Based on all this, a conclusion had to be reached. Namely, if we act with firmness, undesirable trends might be changed. It will increasingly depend on us alone, on the working people, how the future of the country develops. [passage omitted]

The most important thing today is to responsibly inform the public about the country's economic situation and about the aims and importance of measures issued. We must do this; otherwise, no desirable consensus will be manifested in concrete actions. [passage omitted]

So far, we have not been able to create a system, either locally or on a national scale, which would be able to harmonize the interests of the majority of individuals and groups. Some of our steps even awoke counter-incentives against our main social efforts. No doubt, it is very difficult to create harmony among economic incentives often contrary to each other. Thus, it is necessary to achieve a greater willingness for cooperation on the part of government agencies and enterprises alike. Precisely in the interest of society, central management cannot reduce, but on the contrary, must increase its demands on the individual and enterprises. [passage omitted]

The party and the state have to create a system of incentives that will enable all progressive forces of society to be represented most efficiently. These values must be demonstrated by the economic regulators and by the wages and income policy. It seems today that the endeavors of economic policy and the mechanism of incentives do not really match. Our firms have indicated that the regulators do not help to increase exports but create advantages for domestic sales. [passage omitted on wages according to performance]

In addition to increasing the conditions of incentives, creative work also needs ideological and moral stimuli. Our image of socialism and its future has been proved different from life in many aspects. This image was an idyllic, over-simplified picture of the future. Our realistic position today cannot replace this with a bright and attractive picture. We have failed to turn to public morale in time to solve our economic problems. While at the beginning of socialism good performance was rewarded with moral recognition, later we wanted to replace this with money alone. [passage omitted]

Even in the forms of movement activities have lost their attraction. The socialist brigade movement has also become less interesting and lost a lot of its social prestige. We must not delay in restoring the importance of the work ethic. [passage omitted]

Since the preparation of the future workers generation also means the preparation of their human, professional, and political preparedness, we must increasingly deal with the education of vocational trainees. In this activity more has to be done by the companies too. The technological base of vocational training must also be increased.

[Passage omitted] The key to our economic progress is technological and scientific development. [Passage omitted] Politics has given several answers to this view in forms of significant party documents. In spite of this, however, our technological shortcomings have increased in recent years, leading our homeland to even lose its position among the semi-developed countries. Today we can see in production both machinery from the turn of the last century and robots with technology of the future. This disproportionate situation has developed over the years.

[Passage omitted] It is in our economic interests to continuously provide our skilled people with new knowledge regarding areas and professions of vital importance, and to do this by way of a flexible system of further education. Modern education is the most profitable economic investment. We must further improve the creative cooperation between production enterprises, technical higher educational institutions and research institutes.

We can only march further forward if our professional people receive their rewards both financially and morally, and if the increasing standard of higher technical education goes along with selective, concentrated and international cooperation in technological development. National economies of the same size as ours can only prosper if they are part of an international cooperation based on the traditions of definite and carefully considered practice in production and research. It is no shame to use the results of others, it is rather a proof of expedient thinking in the tradition of international practice. All opportunities that serve our interests are important. However, only a closer cooperation among socialist countries can ensure substantial long-term development. Hungarian technological and scientific branches have not paid proper attention in recent years to cooperation within the socialist community. On the one hand, this was due to objective conditions, and on the other to convenience and individual interests. From now on, more favorable economic conditions must be provided in order to make Hungarian economic organizations participate better in the cooperation program of CEMA up to the year 2000. [paragraph continues]

Enterprise independence must be observed in this area also, and it will make it possible to establish new forms of cooperation. Efficient production today requires the use of modern technology. Our conditions are unfavorable for this. Therefore, we have only one solution, that is, to reduce the range of products and increase exports. [passage omitted on the will and creativity of people that will be required to make the economy progress]

PRICE INCREASES GO INTO EFFECT 12 JANUARY

LD120401 Budapest MTI in English 1806 GMT 11 Jan 87

[Text] Budapest, January 11 (MTI) -- On Monday [12 January] the coffee prices in Hungary will be raised by an average of 18 per cent. At the same time measures have been taken for coffee prices to follow the purchase prices both upwards and downwards in the event of lasting price movements.

Because of rising costs and the termination of state subsidy for certain activities, the freight tariffs fixed for population go up by 10 per cent on the average.

Food prices at 3rd and 4th class catering places are to increase by about 10 per cent, and the price of workplace catering by an average of 4 per cent. The latter increase will be transferred to employers in a measure depending on agreement with the trade unions under the collective bargain contract.

COMMISSION SET UP BECAUSE OF SNOW; SOLDIERS HELP

LD120903 Budapest Domestic Service in Hungarian 0700 GMT 12 Jan 87

[Summary] A coordinating operative commission has been set up because of the heavy snow in the country. The task of the commission is to organize the rescue of those trapped in the snow and the delivery of foodstuffs to shops. Most of the roads are unpassable. The situation is worst in countries Veszprem and Fejer.

The interministerial coordinating operative commission held its first meeting early this morning and decided on what has to be done. The Ministry of Education asks parents and headmasters to ensure that children leave for school only if road and transportation conditions permit. Long-distance buses will be operated only to destinations which cannot be reached by train. The detection of cars trapped along roads with the help of helicopters will begin as soon as the very strong wind abates a little.

In almost all the exposed areas, Hungarian and Soviet soldiers and special vehicles are helping out. The western border crossing stations had to be closed down because of the bad weather.

MINISTER VERESS VIEWS FOREIGN TRADE BALANCE

LD092026 Budapest MTI in English 1420 GMT 9 Jan 87

[Text] Budapest, January 9 (MTI) -- Minister of Foreign Trade Peter Veress gave a statement about the lessons for the deterioration of Hungary's foreign economic balance, and the possibilities of improvement. The statement is carried in the January issue of PARTELET (PARTY LIFE). According to the minister, the most important problem is the unfavourable export structure, but leniency and bureaucratic practices also cause considerable loss.

In the interest of increasing economic capacity, he called it necessary to strengthen domestic competition and strongly warned against protecting permanently unprofitable producers from import rivalry.

The minister said in the interview that the 1986 stock of debts increased to a great extent, mainly owing to drastic cuts in the prices of certain export commodities. He said the high proportion of energy and raw material intensive branches (chemical industry, metallurgy) in hard-currency export indicates the outdatedness of the export pattern. It is also unfavourable for Hungary that on the world market the farm and food products are affected most by price and discriminatory measures. Engineering and light industrial imports also fell short of the target, Peter Veress said, partly as a consequence of low technical levels and the increasing rivalry of the developing countries.

The minister discussed the export-promoting competitions invited for companies last year. Successful companies are to receive state support and bank credits for projects likely to yield additional export. Peter Veress pointed out, "312 of the 387 competition works submitted have been adopted, 32 rejected and 43 are still being considered...this year the competitive system is expected to result in 150 million dollars of sales over the plan. However, even so we shall only approach the 1986 export plan. The export surplus foreseen for the entire five-year period amounts to an impressive sum of 1,500 dollars."

The foreign trade minister pointed out that increasing domestic competition may be an important means of strengthening economic performance. He added, producers and the political and social organs behind them frequently demand the elimination of external competition to safeguard domestic producers...different kinds of protection for domestic producers exist in all parts of the world...however, it is unjustifiable to safeguard long term loss-making producers. "The new order of granting foreign trade rights, issued last year, promotes increased competition. The aim of the measure is for more and more producers to directly acquire information about the world market processes and to join in business activity," said the Hungarian minister of foreign trade in conclusion.

USSR ENVOY DISCUSSES ECONOMIC COOPERATION

AU091257 Budapest NEPSZAVA in Hungarian 31 Dec 86 p 5

[Interview given by Boris Stukalin, Soviet ambassador in Budapest, to Gabor Szathmari: "Together -- To Reach Our Common Goals" -- date not given]

[Excerpt] [passage omitted on Stukalin's personal impressions of Hungary]
[Szathmari] Hungarian-Soviet cooperation gained new aspects in recent years. Which of these aspects do you consider to be the most significant?

[Stukalin] The agreements reached at the Budapest and Moscow talks between Comrades Mikhail Gorbachev and Janos Kadar this year are of decisive importance as regards Hungarian-Soviet economic cooperation. I consider it worth emphasizing that the standard of our economic cooperation further increased in the first half of the eighties. The value of Hungarian-Soviet trade in exchanging goods increased from R5.7 billion in 1980 to R10 billion this year. Mutual shipments are vital for both countries in improving the key sectors of the national economies. As a characteristic example I would like to mention that in the last 5-year period Hungary has sold 45 percent of its engineering and equipment exports, at least 40 percent of its food exports, and almost 30 percent of its consumer-oriented miscellaneous manufacture exports on the Soviet market.

In recent years we are increasingly employing modern forms of cooperation such as production specialization and cooperation, the coordination of scientific and technological work, and participation in factory reconstruction. By now, one-third of the shipments consist of products that were made within the framework of specialization and cooperation agreements. With regard to the future I consider it promising that the rate of growth in shipping these goods will be far greater than the rate of growth of the total of goods exchange.

It is good for both of us that agricultural cooperation has been increasing year by year. The Soviet Union has increased its purchases in Hungary of agricultural machinery, sowing seeds, pesticides, fodder mixes, and breeding stocks. These goods help us develop the industrial technology of agricultural production. Our plans include setting up agricultural plants in the Soviet Union with the participation of Hungarian enterprises.

Of course, the Soviet Union also takes part in developing the Hungarian production structure. I would like to mention only a few of the projects that have begun operating in recent years: the three blocks of the Paks Nuclear Plant, the converter steel foundry of the Duna Iron Works, the new factory units of the Borsodi Chemical Kombinat, and the Budapest Sports Center, all of which have been built with the engineering participation of the Soviet Union. From among the new forms and methods of production we cannot omit the fact that direct cooperation between four federal republics of the Soviet Union and Hungary -- Ukraine, Moldavia, Georgia, and Azerbaijan -- is also developing according to expectations.

At the Service of Acceleration [subhead]

[Szathmari] In which areas do you see the possibility of further expanding Hungarian-Soviet economic relations?

[Stukalin] Our economic cooperation can become more intensive through a further increase in production cooperation, a closer development of direct enterprises relationships, and the establishments of joint organizations. I think these should be considered a road into the future and these modern methods of cooperation can best serve economic renewal both in the Soviet Union and in Hungary. The November session of the CEMA country party leaders in Moscow also emphasized the use of these efficient forms of cooperation. They are also given the green light by the joint declaration of the CPSU Central Committee and the Council of Ministers of the Soviet Union, which was adopted in August, regarding management development in our economic and scientific-technological cooperation with the socialist countries.

I am pleased to see that our relations are developing precisely in this direction. In November Comrades Gyorgy Lazar and Nikolay Ryzhkov signed an agreement between the two countries concerning the system of setting up direct contacts between Soviet and Hungarian enterprises for production and scientific-technological work, as well as another agreement concerning the rules for founding joint Hungarian-Soviet enterprises and the principles of their operation. A few days ago there was the signing of the foundation documents of the first Hungarian-Soviet mixed company, Mikromed, which will be based in Hungary. As far as I know, there are intensive preparations both in Moscow and Budapest to establish other mixed enterprises as well. Due to the economic endeavors of our countries, it is in our mutual interest to further expand the traditional exchange of goods. According to our long-term agreements, the total volume of reciprocal shipments will increase 31 percent between 1986-90. In the future the Soviet Union will, of course, also continue to satisfy Hungary's needs concerning basic energy resources and raw materials. In addition, we will increase our shipments to Hungary of cars, tractors, cotton, ferro-alloys, and chemical materials, from Hungary we intend to buy more axle housings, chemical products, electronic equipment, cereals, and meat. [paragraph continues]

Our exports are already examining how we could place more orders and provide work for Hungarian firms that do not use their full production capacity. There are also realistic possibilities for increasing our participation in the technical reconstruction of Hungarian firms requiring this, including for instance those which at the time were built with Soviet cooperation. I would like to recall that in August we signed an agreement regarding Soviet participation in expanding the Paks Nuclear Power Station, and we are jointly preparing to extend beyond 1990 several significant production cooperation projects which are set out in the Hungarian-Soviet intergovernmental agreement.

I believe all this will provide a good service for accelerating the modernization of production and revitalizing the economy both in Hungary and in the Soviet Union, because these are the top priority issues both in your country and in ours. Thus, it is not at all just a stock phrase, but indeed a tangible reality, that Hungarian-Soviet friendship and cooperation are a token of our people's future.

IZVESTIYA CITED ON KAZAKHSTAN DISTURBANCES

LD100952 Budapest Domestic Service in Hungarian 0900 GMT 10 Jan 87

[Excerpts] The Soviet paper IZVESTIYA is publishing strongly contradictory letters from readers dealing with the disturbances that took place in Kazakhstan. [passage omitted] There also appeared in IZVESTIYA a letter showing how strong the anti-Russian mood is in Kazakhstan, but the reason for this is that in certain institutions, for instance in the army, the officer staff comprises only Russians. The IZVESTIYA editorial argues only with one of the letters; its writer demands special privileges for Russians in all the Soviet republics.

OVARI MEETS WITH VISITING ETHIOPIAN OFFICIAL

LD092204 Budapest MTI in English 1608 GMT 9 Jan 87

[Text] Budapest, January 9 (MTI) -- Miklos Ovari, member of the Political Committee of the Hungarian Socialist Workers' Party and secretary of the Central Committee, met Ashagre Yigletu, secretary of the Central Committee of the Workers' party of Ethiopia, who visited Hungary January 7-9. The Ethiopian politician also held talks with Jozsef Gyorko, deputy head of the Foreign Affairs Department of the Central Committee.

The parties to the cordial talks of friendly atmosphere briefed each other on the situation and timely tasks of their parties. They reviewed the areas of inter-party cooperation, noted with satisfaction the results so far and agreed upon new concrete moves. The discussion covered international issues, with special regard to problems facing the southern part of Africa and the east African region.

On Friday Ashagere Yigletu left Budapest.

HORN VISITS PAKISTAN, TALKS WITH MINISTERS

LD101755 Budapest MTI in English 1545 GMT 10 Jan 87

[Text] Islamabad, January 10 (MTI) -- Gyula Horn, Hungarian under-secretary of state for foreign affairs, paid a visit to Pakistan from January 8 to 10. He held talks with Foreign Secretary of State Abdul Sattar and other senior representatives of the Pakistani Government. He met Ghulam Ishaq Khan, chairman of the Senate, and Sahebzada Yaqub Khan, minister of foreign affairs.

Discussions were held on the state of relations between Hungary and Pakistan, possibilities of development, as well as on timely international issues, particularly problems facing the South Asian region.

In the Pakistani capital Gyula Horn gave a lecture on the foreign policy of the Hungarian People's Republic and held a press conference at the institute of regional studies.

BRIEFS

BECK VISITS FRG -- Tamas Beck, chairman of the Hungarian Chamber of Commerce, accompanied by Hungarian businessmen arrived in Bonn on 8 December at the invitation of Seigfried Mann, managing director of the FRG Federation of Industrialists. Beck held talks on the possibilities of widening the cooperation with certain industrial federations. Tamas Beck was received by Peter Lorenz, parliamentary state secretary of the Chancellor's Office, and held talks with Herman Josef Unland, chairman of the parliament's Economic Committee. [Text] [Budapest NEPSZABADSAG in Hungarian 9 Dec 86 p 5 AU]

WHEAT COUNCIL MEMBERSHIP -- Hungary has joined the executive organizations of the international wheat agreement, the London-based International Wheat Council (IWC). The members of this organization are countries whose role in the export and import of wheat is considerable. Among the socialist countries, Hungary is the third member of the council following the Soviet Union and Cuba. (Up to now, Hungary has participated in the activity of the council as an observer.) [Excerpt] [Budapest NEPSZABADSAG in Hungarian 23 Dec 86 p 5 AU]

TRADE WITH CSSR -- Zoltan Juhar, minister of domestic trade, held talks in Budapest between 18 and 19 December with Josef Rab and Jaroslav Zelko, trade ministers of the Czech SR and the Slovak SR, respectively. They discussed the possibilities of exchanging consumer goods along the borders and analyzed the ways of improving technological and scientific cooperation. Josef Rab and Jaroslav Zelko were received by Deputy Premier Jozef Marjai. [Excerpt] [Budapest NEPSZABADSAG in Hungarian 20 Dec 86 p 7 AU]

GROWING EXPORTS TO JAPAN -- Favorable trends in exports to Japan show that Hungary's exports increased by \$50 million in 1986. One of the reasons is that Japan introduced preferential treatment for numerous Hungarian products. The majority of the products consists of pharmaceutical manufactures, which reached \$17 million last year. Another large commodity group is agricultural and industrial food products. Tungsram's halogen lamps were also a success, and the firm opened an independent marketing agency in Japan. In order to improve exports, greater emphasis will be placed on cooperation, cooperation in research and development, and mixed companies, said Dr Gabor Rekettye, trade councillor. [Summary] [Budapest NEPSZABADSAG in Hungarian 29 Dec 86 p 5 AU]

PARTY DELEGATION VISITS MOSCOW -- The Hungarian party delegation led by Csaba Tabajdi, head of a subdepartment of the MSZMP Central Committee's Foreign Department, and which paid a visit to Moscow at the invitation of the CPSU Central Committee from 22 and 28 December, returned home on 29 December. The delegation held consultations with the leading staff members of the CPSU Central Committee's foreign, international, and propaganda departments on international issues. The delegation also paid a visit to the Institute of World Economic the U.S. and Canada Research Institute. [Text] [Budapest NEPSZABADSAG in Hungarian 30 Dec 86 p 5 AU]

AMBASSADOR TO BURMA -- Olah Jozef, ambassador of the Hungarian People's Republic accredited to the Socialist Republic of the Union of Burma, presented his credentials to President U San Yu. [Text] [Budapest NEPSZABADSAG in Hungarian 24 Dec 86 p 29 AU]

ITALIAN POLITICIANS PROTEST JARUZELSKI VISIT

AU111527 Paris AFP in English 1515 GMT 11 Jan 87

[Text] Warsaw, Jan 11 (AFP) -- Six Italians, including three members of parliament, were arrested here on Sunday while demonstrating against Monday's scheduled visit to Italy and the Vatican by Polish leader General Wojciech Jaruzelski. Police detained the six members of the Italian Radical Party, a centrist grouping, after they staged a half-hour demonstration in bitter cold at the Royal Palace Square in the old part of the city.

The demonstrators sported sandwich boards with slogans backing Solidarity, the banned trade union, distributed a tract condemning the visit to Italy and read the text over loudspeakers. The three MPs were identified as Italian deputy Angiolio Bandinelli and Emma Bonino and Roberto CiccioMessere, who are members of the European Parliament. The others were not named.

Gen. Jaruzelski is due Monday in Rome for the first official visit to Italy or any other country in the North Atlantic Treaty Organization (NATO) since martial law was declared in Poland in December 1981. He is due to pay a visit to the Vatican on Tuesday and officially invite Pope John Paul II for a third visit to his homeland since he became pontiff. A papal visit to Gdansk, a Solidarity stronghold, has been planned.

Poland is said to be seeking to reestablish diplomatic relations with the Vatican, frozen in 1946, and the Polish minister of religious affairs, Adam Lopatka, on Friday announced that a bill to officially recognize the church might be introduced in parliament. Gen. Jaruzelski was expected to ask Italy for loans to help Poland recover from dire economic problems and meet an estimated 33-billion-dollar foreign debt.

Deported After Demonstration

AU112136 Paris AFP in English 2134 GMT 11 Jan 87

[Excerpt] Warsaw, Jan 11 (AFP) -- Six Italians, including three members of parliament, were deported from Poland Sunday after demonstrating in central Warsaw against Monday's scheduled visit to Italy and the Vatican by Polish leader General Wojciech Jaruzelski. Police detained the six members of the Italian Radical Party, a centrist grouping, after they staged a half-hour demonstration in bitter cold at the Royal Palace Square in the old part of the city. They were later put aboard a Polish airliner bound for Geneva. [passage omitted]

LEADERSHIP FIGURES SEE OFF JARUZELSKI FOR ROME

LD121133 Warsaw PAP in English 1101 GMT 12 Jan 87

[Text] Warsaw, Jan 12 -- President of the Council of State and PUWP CC First Secretary Wojciech Jaruzelski left for his official visit to Italy this morning at the invitation of Italy's Prime Minister Bettino Craxi.

Jaruzelski and his entourage were bidden farewell at Warsaw's Okecie airport by top state officials, including Zbigniew Messner, Roman Malinowski, Jan Dobraczynski, Tadeusz W. Mlynczak, Zenon Komender, Kazimierz Barcikowski, Jozef Baryla, Jan Glowczyk, Czeslaw Kiszczak, Florian Siwicki, Stanislaw Ciosek and Wladyslaw Gwiazda.

The farewell ceremony was also attended by secretary of the Polish Episcopate, Archbishop Bronislaw Dabrowski, and Deputy Secretary Bishop Jerzy Dabrowski.

Italian Charge d'Affaires A.I. Ubert Pestalozza was also present.

POLISH-ITALIAN RELATIONS 'NOTABLY BROAD'

LD112300 Warsaw PAP in English 1535 GMT 11 Jan 87

[By PAP commentator Tadeusz Szkamruk]

[Text] Warsaw, Jan 11 -- The significance of the visit which Polish leader Wojciech Jaruzelski will pay to Italy tomorrow stems not only from the role which both states play in Europe but from the opportunities which a continuation of political dialogue creates for strengthening peace and security on our continent.

The visit will also be an important event in the process of enlivening contacts on the Warsaw-Rome line and an important impulse for the further development of positive cooperation between Poland and Italy.

There is no contradiction of interests in relations between both states. On the contrary, the two are equally interested in expanding cooperation in traditional as well as new fields which in combination with joint efforts for preserving peace and safeguarding security creates a favourable atmosphere for the talks to begin on the banks of the Tiber.

It is here, as the programme of the visit shows, that another significant event will take place, namely the meeting between Wojciech Jaruzelski and the pope, John Paul II, who has headed the Vatican state for eight years now and who intends to once again visit his fatherland next June.

Polish-Italian political, economic, scientific and cultural contacts -- even though they are maintained with varying intensity -- are notably broad. We have accumulated good experience in the sphere of economic cooperation. It is enough to recall the cooperation in the automobile, chemical or agri-food industries. Also, Polish culture is present in Italy just as Italian culture is present in Poland.

OFFICIALS RESIGN FOLLOWING PRICE CHANGES

LD100001 Warsaw Domestic Service in Polish 2300 GMT 9 Jan 87

[Text] The PZPR Central Control and Auditing Commission [CKKR] has carried out explanatory proceedings concerning party members responsible at the central level for the changes in the agreed prices of cream, some meat produces and poultry intestines.

It was established that socio-organizational principles governing the preparation of price changes were breached by the bureaucratic and sudden introduction of such changes without the issue of reminders to subordinate units about the procedure that must be applied in such cases. Taking into consideration the self-critical attitude of those involved, the PZPR CKKR has concluded party procedures and warning talks with the following comrades:

Bazyli Samojlik, minister of finance; Wojciech Prus, deputy minister of finance; Wieslaw Majewski, deputy chairman of the Central Union of Dairy cooperatives; and Eugeniusz Gorski, director of the office of Finances and Accounts of the Central Union of Dairy Cooperatives. During the conversation of the CKKR, Comrade Majewski and Gorski announced their decision to submit their resignation as they felt personally responsible for the irregularities that had occurred. An explanatory talk was also held with Comrade (Witold Pereta), director of the Association of Meat Industry Enterprises.

ENVIRONMENTAL PROTESTORS ARRESTED IN WROCLAW

LD101548 Hamburg DPA in German 1457 GMT 10 Jan 87

[Text] Warsaw, 10 Jan (DPA) -- Special units of the police arrested around 30 members of the pacifist and environmental protection movement "Freedom and Peace" in Wroclaw on Saturday. They had tried to stage a protest march to the "Siechnice" foundry near the city to draw attention to environmental pollution by the works.

The group's spokesman, Jacek Czaputowicz, said in Warsaw that the demonstrators had gathered near the market square in Wroclaw. When the police blocked the march, they sat down in spite of the intense cold and held up their banners. The banners proclaimed: "The foundry is still poisoning us", "Ten grams of chromium to every 100 grams of earth" and "Each citizen has the right and duty to protect the environment". The police had forced apart the demonstrators, who held on to each others' hands, and bundled them into cars. Six organizers of the campaign were arrested in their homes yesterday.

The "Siechnice" foundry produces ferrochromium composites. The method of production is supposed to be particularly harmful to the atmosphere and to the water supplies for the population. The foundry management had a report drawn up in early 1986. Due to the heavy pollution of the environment through chromium, lead and other heavy metals, the report apparently recommended that the foundry be closed down and the population moved to other areas. Government spokesman Jerzy Urban recently announced that it was still being considered whether to close the foundry or modernize it. The enterprise is important for exports.

WINTER CAUSES HEATING 'DIFFICULTIES' IN WARSAW

LD101442 Warsaw PAP in English 0746 GMT 10 Jan 87

[Text] Warsaw, Jan. 9 -- An extraordinary session of the voivodship committee for Warsaw's defence was held here today with the participation of alternate member of the PUWP CC Political Bureau and first secretary of the Warsaw PUWP Committee Jerzy Kubasiewicz. The session was chaired by Warsaw President Jerzy Boleslawski.

The session sized up the current situation in the Warsaw agglomeration.

The committee fully shared citizens' concern over the difficulties in heating flats and other troubles caused by severe winter.

The committee took concrete decisions to ensure uninterrupted supplies of water, electric energy and heat for the Warsaw voivodship and deliveries of proper types of fuels for thermal electric power stations, the functioning of transport, particularly the suburban one, snow removal from arterial roads, routes and pavements, and proper operation of all areas of municipal economy and trade.

The committee obliged all services to immediately eliminate all irregularities and to more effectively respond to complaints and remarks by citizens.

NATIONAL SOCIOECONOMIC PLAN FOR 1986-90

AU080601 Warsaw RZECZPOSPOLITA (Supplement) in Polish 30 Dec 86 pp 1-4

[Excerpts from the 18 December 1986 Sejm Resolution -- "The National Socioeconomic Plan for 1986-90"]

[Text] After examining the draft national socioeconomic plan for 1986-90 as presented by the Council of Ministers, the PPR Sejm has adopted this plan, which will henceforth be referred to as "the plan," having previously taken into account:

-- The Sejm's decisions with regard to the selection of the second alternative of the plan and to the main issues of the country's social, economic, and land development in 1986-90;

-- The lines of socioeconomic development as mapped out by the PZPR Program adopted by the 10th congress;

-- The results of the public consultations about the concept of the national socioeconomic plan up to 1990.

The Sejm notes that the main strategic goal of the plan is to create and consolidate the ability of the national economy to develop in a balanced and effective way, which is the necessary condition if we are to ensure that people's conditions continue to improve all the time and if the PPR is to occupy its position in the socioeconomic development of the socialist community countries and in the international division of production.

Our country's economic development and the need to raise our living standards will require social, political, and job militancy on the part of the people, who will have to increase their own contributions in meeting national and local social needs.

Part I. -- The Basic Goals and Lines of Socioeconomic Policy [headline]

Chapter 1. Determining Factors of Development [chapter head]

During 1986-90 our population will increase by about 1.3 million people, and our producing population will increase by about 350,000. [paragraph continues]

In 1971-75 our population increased by 1.6 million people and in 1976-80 by 1.2 million, which was the lowest increase in the entire history of People's Poland.

The distinctive features of this increase are a high ratio of people between 18 and 44 years, who show the highest production militancy, and the decrease in the ratio of older people.

We expect that the increase in manpower of the socialist economy may amount to about 425,000 persons and that the population's production militancy will increase.

At the same time, the numbers of young people between 7 and 17 years will increase very rapidly (about 750,000) and the same can be said of nonproducing persons (about 920,000). This means that the ratio between people who are within production and the idle people will deteriorate. For every 1,000 persons in production in 1990 there will be 1,019 idle persons, including 260 persons of postproductive age. In 1980, this ratio amounted to 968 and in 1985 to 1,016 persons.

The general increase in domestic raw and other materials, which now accounts for about 80 percent of our economy's basic resources, may amount to about 11 percent in 1990 compared with 1985. However, this increase will vary greatly from material to material.

Taking into account the necessary level of imports to make the economy tick, and considering the need to assign some production increases to export, the supply of basic raw and other materials, as well as fuels, to meet the needs of the country may increase about 9 percent, including a 6-percent increase in fuel supplies, in the course of 5 years.

The high extent of the wear and obsolescence of equipment increases economic costs, results in high energy and material intensiveness, and hinders efforts to increase productivity. All this makes it difficult to improve the efficiency of economic management. At the end of 1985 the wear of production machines and equipment assessed in terms of fiscal criteria amounted to 64 percent, and the wear of transport equipment to 53 percent. In some branches of industry this ratio was especially high. In the synthetic fibers industry it amounted to 77 percent, in computers to 74.5 percent, in the optical industry 72 percent, in machine tools to 71 percent, and in the light industry to 70 percent.

Investment commitments connected with the continued program of investment construction crucially restrict our freedom to select development undertakings in the coming 5-year period. Business accounting makes it necessary for us to do our best to complete the continued program as soon and as effectively as possible in order to make our outlays yield results. This will reduce our flexibility of action in investments, especially in the first years of the 5-year period, because we will have to reduce the number of new investments.

In order to complete the socialized investment construction that was begun and continued before 1986, we need about 24.2 trillion, including 23.1 trillion to be spent by 1990.

The problems of the environment continue to be aggravated. Ecological dangers caused by excessive water pollution, air pollution, and ailing forests continue to appear in large areas of the country. In some areas, especially in large urban areas, ecological factors continue to prevent the further development of economic activities. We need to greatly increase the funds on measures to halt the processes by which the environment deteriorates.

Poland's relatively high debts are another factor in our development conditions. At the end of 1985, we owed over R5 billion to the socialist countries and over \$29 billion to the capitalist countries. This sum includes our nominal debts and the changes in the dollar rate vis-a-vis other currencies. We expect that our trade with the USSR will become balanced in 1986-90, which means that the adverse balance of payments in the first half of this period will have to be turned into a positive balance in the second half of it.

The need to achieve a positive balance of payments vis-a-vis socialist and capitalist countries will reduce net national income in relation to gross national income.

Our export surplus over imports from capitalist countries is not enough to service our debts, despite the great efforts of our economy. As a result, our debts continue to increase.

The growing protectionist trends in capitalist countries and political restrictions on trade and fiscal relations with foreign countries continue to hinder normalization of fiscal relations and increases in mutual trade, thus lowering our country's ability to service its debts.

The continued international tension and the U.S. spiral of armaments will certainly affect our development potential.

As a result of all this, Poland's relations with capitalist countries are uncertain to a great extent, despite the fact that we continue to make consistent efforts to achieve full normalization of these relations.

Our increasingly intensive economic cooperation with the USSR and other socialist countries will prove to be a crucial external factor in strengthening the development trends of our economy.

Despite its weakening, Poland's socioeconomic potential creates conditions for accomplishing the goals mapped out for the 5-year period. Our development can be greatly boosted if we better exploit our production factors, improve work discipline and organization, use more effectively our production equipment and materials, and raise the quality of production.

We can greatly boost production by cutting our working time losses caused by bad work organization and bad discipline. Present estimates speak of losses amounting to 15-20 percent of working time. A more efficient organization of jobs and better discipline may greatly increase the time actually worked.

A genuine improvement in shift intensity in industry, which dropped from 1.38 in 1975 and 1.18 in 1980 to 1.01 in 1985, may greatly increase production and cut production costs. The general review of the performance of organizational structures in the economy will help modernize and streamline economic management, rationalize the level and structure of employment, and reduce red tape.

Further increases in people's general education, and thus better skills for employees, will be of favorable importance for economic processes. The availability of over 1.8 million graduates from secondary schools must be regarded as a crucial factor in the country's development, provided it is rationally and effectively exploited.

Eliminating at least a part of the losses caused by bad production would not only improve the flow of goods, but also cut losses, reduce difficulties with materials, and increase production.

The shortages of fabricating materials may be offset by greater efficiency in using recycled raw materials and scrap. Present estimates suggest that we could increase the availability of scrap metal by about 1 million metric tons, and industrial greases by about 10,000 metric tons. We could also increase the number of recycled tires by about 500,000.

These are mostly objective considerations, but the thing is that subjective factors rooted in the attitudes of individuals, collectives, institutions, and organizations do influence economic processes.

Heavy physical toil, creative and responsible mental work, and honest attitudes toward work and public property go hand in hand with negligence, bad management, poor organization, lack of discipline, and general slackness. The elimination of these features through the right social attitudes and effective organization and management can help us improve the exploitation of our country's resources, raise the pace, effectiveness, and quality of production, and accelerate our socioeconomic development.

We will do this by strengthening social self-government bodies and the planning system at all levels, by increasing the working people's share in organizing and running production, by consolidating civil rights and intensifying social discipline, by improving state administration, by raising the level of political and legal standards, and by realizing the idea of national agreement.

Chapter 2. Basic Assumptions of the Plan [chapter head]

In line with the Sejm resolution of 24 July 1985, the strategic goal of the plan is to create and consolidate the potential for effective development as the necessary condition for continued improvements in our living standards.

The accomplishment of this goal primarily calls for:

- 1) Regaining general economic balance as soon as possible, especially in the flow of consumer and investment goods, and the state's fiscal balance; this is the necessary condition for generally resorting to economic compulsion if economic units are to improve the efficiency of their performance;
- 2) Accelerating the work to modernize production assets, primarily through changing the structure of investment outlays;
- 3) Accelerating scientific, technological, and organizational progress and especially the practical application of its results by more closely relating research and practical application to the needs of the economy, and by ensuring the necessary funds in this connection in order to supply the economy with larger quantities of modern technologies, designs, materials, and products;
- 4) Increasing the economy's export capabilities and intensifying economic integration with the CEMA countries so that our country is able to increase its share in the international division of production;

5) Accelerating structural changes in the economy, mainly through selective modernization of production equipment, the practical application of scientific-technological progress, increased foreign trade, and the increased share of processing work in industrial production;

6) More fully exploiting the resources of manpower, energy, raw materials, machines, and equipment and eliminating waste caused by the bad quality of products;

7) Modernizing and streamlining the system of running the national economy.

The following are the basic social goals for 1986-90:

1) Further improvements in the flow of food and industrial consumer goods to marketplaces;

2) Progress in solving housing problems;

3) Effective brakes on inflation;

4) Progress in health services and brakes on the degradation of the natural environment;

5) Expansion of the material base of education, all kinds of schools, and culture;

6) Implementation of the policy of regulating personal incomes in line with the principles of social justice.

Chapter 3. Forecasts on the Development and Distribution of National Income [chapter head]

1. Development of National Income [subhead]

The analyses of the external and internal determining factors in the country's development in 1986-90 show that the national income produced within these years may increase 16-19 percent, which means that it should increase about 3-3.5 percent in each of these years.

The increase rate will be determined by increases in production and by improvements in economic management. Assuming that the value of the production sold by socialized industry will increase about 16 percent, net production of this industry would have to increase about 20-25 percent in the 5-year period. It is estimated that the industry's share in the general increase in the national income will amount to almost 60-63 percent and the share of construction to about 12-15 percent.

Forecasts show that net production of agriculture may increase 1.1-1.5 percent on the average annually, which will be below global increases. This is a result of the objective necessity to increase the funds in order to intensify and boost farm production under conditions of shrinking area of farmlands. [sentence as published]

As a result, the structure of creating the national income will change. The share of industry and construction in the created national income will increase to about 63 percent in 1990 as against about 61 percent in 1985. Within the same time, the share of farming will decrease from 15.2 percent in 1985 to about 14 percent in 1990.

2. The Distribution of the National Income [subhead]

It is estimated that the distributable national income will increase about 14-17 percent in the 5-year period, which means that it will increase 2.6-3.2 percent on the average each year. [paragraph continues]

The fact that the increase in the distributable national income is lower than the produced national income is a result of the plans for quicker increases in exports than in imports.

The share of the consumption fund in the distributable national income in 1990 may amount to 73.7-73.9 percent. The increase in general consumption will amount to 12-15.4 percent, the average annual increases amounting to 2.3-2.9 percent. Per capita general consumption should increase 8.2-11.5 percent. The share of net investments in the distributable national income may amount to 18.4-18.9 percent in 1990. Investments outlays in 1986-90 may be 24 percent larger than in 1981-85.

3. Efficiency Requirements for Achieving National Income Increases [subhead]

The planned increases in production and national income under conditions when we expect that the supply of fuels to increase 6 percent, of metallurgical products 5.2 percent, nonferrous metals about 2.5 percent, electric energy 18.3 percent, and domestic and imported materials about 10 percent up to 1990, show that they can be achieved only if energy- and material-intensiveness per unit is radically lowered.

In order to achieve the planned development indicators in 1986-90 it is necessary -- taking into account only those raw and other materials that are stipulated centrally -- to reduce the material-intensiveness of the national income by about 6-8.2 percent, of industrial production by 7.5-0.5 percent, and of construction production by 9.5-12 percent. The material-intensiveness of the national income should be reduced by 9-11 percent.

Conserving fuels, energy, metals, raw and other materials to this extent is an especially difficult task. However, there is no alternative by which we can achieve the planned increase in the national income. That is why, mindful of the importance of this issue, we drew up the program for activities to improve the exploitation of material, fuel, and energy resources in 1986-90.

We expect that some two-thirds of the final benefits will be achieved through rationalizing and conserving activities in plants. The remaining benefits should be achieved through the measures listed in the program. [Daily does not carry chapters 4, 5, and 6]

Chapter 7. Investment Policy [chapter head]

1. Basic Goals [subhead]

In 1986-90 investments policy will be governed by the basic goal of creating and consolidating our economy's potential for balanced and effective development. The following are the general tasks in this connection:

- 1) Increasing the general level of investments and raising the share of repair and modernization investments and material production investments in overall outlays, and thus creating conditions for the accelerated development of the national economy in the last quarter of the 20th century;

- 2) Implementing the measures aimed toward structural changes in the economy that seek to improve the efficiency of economic management, especially efficiency in using materials and energy;

3) Improving the branch structure of investment outlays through increasing the share of outlays on machines and equipment;

4) Improving the efficiency of investment processes, especially cutting down their implementation schedules and concentrating outlays. This should help us to reduce the incidence of freezing and implementing investment construction projects;

5) Streamlining the exploitation of fixed assets in the national economy;

6) Administering, with the help of institutional devices, the level and distribution of investment funds in such a way as to ensure that they are used mainly to promote export-oriented restructuring and development of highly sophisticated industries that use domestic materials; and, at the same time, cutting down investment funds for the raw materials and heavy industries to the level of the funds necessary for restructuring the branches of metallurgy, chemistry, and energy.

Through suitably adjusting their own investment plans, the people's councils should support the adopted general assumptions of the investment policy.

2. Estimates of Investment Funds and Their Structure [subhead]

Taking into account the planned rate of increases in the produced national income, the assumptions of its distribution, and the material restraints on increases in the level of investment, it is estimated that investment outlays will amount to 210 trillion in the national economy in 1986-90.

The realization of investment policy tasks in 1986-90 calls for changes in the structure of financing sources. Generally speaking, these changes will seek to maintain the share of subsidies from the budget and to increase the share of loans. It is expected that the share of subsidies will amount to about 21 percent, and that of bank loans to almost 36 percent.

No major changes are expected to be made in 1986-90 in the structure of investments that are listed in line with the hierarchy of decisionmaking. The share of investments of plants will amount to over 41 percent, of local authorities about 11 percent, of cooperative housing construction about 10 percent, and of central investments about 11 percent. It is estimated that the share of investments of the nonsocialized economy will amount to about 17 percent.

3. Basic Instruments of Realizing Investment Policy [subhead]

Considering the structure of the sources of investment funds, the plants' own resources and loans will be the decisive factors in the development of the level and lines of investments. The plants' own resources will be determined by the efficiency of their economic management. This should increase the dependence of the plants' development potential on the results the plants achieve in production and should ensure that highly efficient plants can count on the flow of funds and resources to promote their development.

The legal provisions on transfers of funds between plants and on issuance of bonds make it possible to concentrate funds in larger plants and to change the interbranch structure of the distribution of investment funds where they are created. This should encourage structural changes.

Bank loans will be used as important instruments in selecting investments in line with investment policy and the effectiveness of projects. Priority loans will be granted to plants that go for structural changes that stimulate export, promote the practical application of scientific-technological progress, and accelerate the development of selected branches of the electroengineering, chemical, food, and small industries, as well as investments that help lower the energy- and material-intensiveness of production and that require short implementation schedules.

The exploitation of the fixed assets in the national economy will be improved by rationalizing the structure of investment outlays and by the necessary changes in the methods of accomplishing investment policy. This means that the exploitation of these assets must be regarded as a crucial element of the development and implementation of investment policy. We will devise and implement the national system of exploiting fixed assets and we will streamline the regulations governing this exploitation.

[Daily does not carry Chapter 8]

Chapter 9. Fiscal Policy [chapter head]

In 1986-90 the state's fiscal policy will be focused on providing fiscal conditions conducive to creating and consolidating the ability of the national economy to develop in a balanced and effective way. For this reason -- together with prices and other instruments -- the mechanisms and instruments of fiscal policy will seek to:

-- Restore global economic balance with the help of the impact that these mechanisms and instruments have on supply and on demand, especially in areas such as the flow of fabricating materials and technologies, the balance of investments, and the balance between the flow of money and goods;

-- Improve the external balance of the economy, create fiscal conditions for the development of exports, and provide favorable fiscal conditions for the development of exports, and provide favorable fiscal conditions in relations with capitalist countries to develop exports and promote the import of modern technologies and scientific-technological ideas;

-- Increase the efficiency of the impact of finances on the effectiveness of the economy; for this reason it is necessary to radically trim the size and range of subsidies and suitably adjust price policy; by 1990 we plan to cut subsidies by 50-75 percent of their 1986 real value; the fiscal system will support effective economic undertakings; at the same time, regulations governing the convalescence or bankruptcy of inefficient plants will be consistently implemented;

-- Stimulate the planned changes in the structure of the economy; in this regard the role of finances will involve the concentration of funds to carry out the planned changes on the one hand, and on the other, to transfer these funds to areas that require fiscal support to carry out these changes; in particular, this will apply to restructuring and conservation measures and to the implementation of scientific-technological ideas in production.

In 1986-90 we will realize the policy of restoring and consolidating the state's fiscal balance conceived as the economy's ability to finance needs with the help of truly earned funds. In this connection, the economy must take account of the flow of funds involved in payments of obligations in our relations with foreign countries. We plan to balance the state budget as of 1987. This calls for thrifty budget policy through radically cutting down on the subsidies for certain fields of economic activities. It also calls for modifying the financing methods of social services.

On the basis of the budget law we will tighten the discipline of budget expenditures and will prepare a government program for reducing and eliminating all kinds of subsidies. The program will be shored up by measures rationalizing the movement of prices and of currency exchange rates. This will enable us to greatly limit subsidies from the foreign trade countervailing account, to eliminate subsidies for the production of raw and other materials, and to continue permanent planned subsidies for material production. The range of subsidies for other production lines will be restricted.

We will strengthen the fiscal autonomy of the people's councils. General subsidies for voivodships will be stipulated for the period up to 1990, which, together with voivodships' own fiscal resources, should create foundations of rational fiscal management in 1986-90.

As for taxation policy, we will strengthen its regulating and stimulating function in line with the priorities stemming from the goals of the 1986-90 plan.

We plan to increase the intensity of the impact of fiscal mechanisms on the efficiency of economic management, and that is why we will make more active use of the taxation system, price policy and to some extent, subsidies policy. We will increase reliefs on account of export achievements and at the same time will gradually limit individual reliefs.

We will expand fiscal priorities on account of the practical production application of the results of scientific-technological progress, new production lines, and new technologies involving modern economic and technical standards, to ensure the necessary economic benefits for producers.

To stimulate production increases and accelerate the balance of the marketplaces we will make flexible use of turnover taxation.

In view of the upsets in the market situation, the turnover taxation rates will be changed to suit the requirements of market balance. Turnover taxation will be an active instrument of achieving balance and of accommodating the surplus of the capital stock formation in unbalanced marketplaces.

As for 1987, the collection of turnover taxation [podatek obrotowy] will be gradually transferred to the sphere of turnover [obrot].

The banks' loan policy will:

- a) make active efforts to grant loans to plants that perform effectively and implement successfully thrift programs and development measures along the preferred lines;
- b) promote activities toward achieving a rational distribution of profits and the development funds in plants in such a way as to limit the plants' excessive fiscal fluidity; the banks will accomplish this task through laying down loan conditions under which the plants' own funds can be increased within defined limits and through ensuring that these conditions are observed;
- c) withdraw loans from the plants that have lost their loan credibility or that cannot guarantee this credibility in the future.

Realizing active and selective loan policy, the banks will grant loans within the limits stipulated by the loan plan.

When granting loans for investments, the banks will ensure loan priority and easy terms for repair and modernization investments, which can promote profitable exports, practical application of scientific-technological progress, and conservation of fuels, energy, and raw and other materials.

Plants' own investments launched with the help of the resources already accumulated by them or planned to be accumulated; with the help of bank loans augmented by resources coming from the central funds; and with the help of the contributions from other plants and from the units that are interested in sharing in the hopes for results, may be supported in exceptional cases by subsidies from the state budget. In principle this will be possible with regard to tasks covered by the restructuring program and related to the rationalization of the consumption of fuels, energy, and raw and other materials.

Central investments will be supported by loans to the extent to which the plants will be able to make future repayments from the development fund in line with expected price changes. The rest of investment outlays will be financed from the plants' own resources, from the state budget, and from special funds.

As for the policy in the case of interest rates, in principle we will seek to make them more flexible, to raise them to a realistic level, and to make them an instrument regulating the demand for credit money, stimulating fiscal efficiency, and promoting the thrift of economic bodies and the population.

We will improve the structure of the banking system by creating new banking institutions responsible for financing certain economic undertakings, and by other measures.

Fiscal policy in foreign trade will primarily seek to speed up the rates of export increases, rationalize imports, and improve the effectiveness of our trade with foreign countries. This goal will be especially promoted by the policy of adjusting foreign exchange rates, promoting foreign trade fiscal accounting, conducting a flexible policy of foreign exchange subsidies, including foreign exchange allowances, and employing economic instruments to stimulate export.

As the basic instruments to promote the export development of the economy, foreign exchange rates will be the foundation of laying down domestic prices for the supply of production materials. These prices will be based on transaction prices.

With regard to handicrafts and other areas of the economy, fiscal policy will maintain the general trend toward support for development via the taxation system, especially in the areas that are important for the economy and the population. [Paper does not carry a Chapter 10]

Chapter 11. Social Goals and the Ways to Achieve Them [chapter head]

2. [as published; paper does not carry subhead 1] The Policy of Incomes [subhead]

The policy of determining personal incomes in 1986-90 will seek to achieve the following main goals:

- To maintain the planned ratio between cash incomes and the flow of consumer goods;
- To ensure the motivational function of workers' incomes to stimulate increases in production and services through increasing labor productivity, relating wages more closely to production results and to the performance of plants, and eliminating unjustified disproportions in wages by exploiting the objective criteria of evaluating one's performance;
- To stimulate the development of production and selected services that cater to priority social needs, through the right income policy vis-a-vis private farmers and artisans;
- To protect the economically poorest people who are unable to improve their conditions through work.

It is expected that per capita real personal incomes will be almost 5 percent higher in 1990 than they were in 1985. Personal cash resources will increase 13.4 percent. The ratio between pensions and annuities, on the one hand, and mean wages, on the other, will improve consistently.

The development of real wages earned by individual groups of workers will be determined by the results of the plants' performance. It is expected that real mean wages will not go down.

Stimulating increases in productivity and in the effectiveness of the exploitation of production factors is the basic goal of central wage policy. This policy will be realized under conditions of the plants' independence in developing their own wage systems and in discharging full responsibility for the efficiency of their economic management.

The implementation of central wage policy and of plant wage policy requires the strict observance of the following principles:

- Performance is the criterion of classification, which means that performance evaluation must be equitable for all economic units and for all individual workers;
- Wage policy is to be stabilized in the long run, which means that conditions will be created for long-term rationalization of the plants' wage decisions.

To rationalize wage policy it is proposed to:

- Change the principle in line with which the lowest wages are stipulated and introduce the practice of partially indexing lowest wages;
- Waive the present differentiated methods of evaluating wages in budgetary units and replace these methods with a uniform system of stipulating wage resources;
- Prevent the extension of allowances in kind, of branch allowances in kind, and of cash equivalents for allowances in kind;

-- Omit price hikes for alcohol and tobacco in the living cost index, which determines real wages and incomes.

Budgetary units will stipulate wages in line with a suitable ratio vis-a-vis the wages paid for material production. In addition, efforts will be made not to increase the 1985 relative span between the average wages in the budgetary sphere and in the material production sphere.

We plan to change the principles of wages for managing cadres in plants to increase their interest in the plants' economic results.

3. Price policy [subhead]

Price policy in 1986-90 will seek to:

-- Cut inflation to below 10 percent;

-- Create conditions for placing business accounting on an objective footing both throughout the economy and at the plant level; this will be done by suitably changing the level and ratios of prices;

-- Eliminate the present inflationary conditions, prevent the establishment of such conditions in the future, and achieve balance primarily with regard to consumer goods, investment equipment, and services; price policy in this regard will be reinforced by suitable measures calculated to stimulate supply and to adjust the size of the incomes of plants, the population, and the budget.

The following measures will be taken to achieve these goals:

1. Transaction prices will be used as criteria for fixing prices for raw and other materials handled by foreign trade;

2. Except for raw and other materials, prices for products will as a rule be fixed at the level of balanced prices, and to do this we will exploit the instrument of income taxation; balanced prices will be fixed in the first place for goods of above-standard quality;

3. The range of subsidized products and services will be reduced in principle; at the same time, we will improve the system of subsidies calculated to eliminate arbitrary subsidies;

4. Only the goods and services that are of great social importance and whose profitability would require too great price hikes will continue to be subsidized; nevertheless, subsidies will be reduced in all these spheres;

5. Grouped maximum indexes of price hikes will be used as the basic instrument of developing prices, except for official prices.

Supplementary instruments will include a ban on incorporating price increases in the case of raw and other materials and incorporating tariffs into the production costs of finished products; and the plants' duty to inform the price-fixing bodies in good time about the intention to raise prices for certain goods.

Temporary bans on price hikes relating to consumer goods and fabricating and investment materials [dobra zaopatrzeniowo-inwestycyjne] can be applied in exceptional cases.

Part II -- Detailed Plan Provisions

Chapter 5. Restrictions and Preference Concerning the Location of Industrial Investment Projects [chapter head]

1. Towns Having Preferential Status

The following towns will enjoy preference in the location of new industrial plants and the expansion of existing ones.

1. Braniewo (Elblag) 2. Chojna (Szczecin) 3. Chmielnik (Kielce) 4. Cmielow (Tarnobrzeg) 5. Dabrowa Tarnowska (Tarnow) 6. Elk (Suwalki) 7. Grajewo (Lomza) 8. Grodzisk Wielkopolski (Poznan) 9. Gryfice (Szczecin) 10. Gubin (Zielona Gora) 11. Janow Lubelski (Tarnobrzeg) 12. Kazimierza Wielka (Kielce) 13. Klodawa (Konin) 14. Krosno Odrzanskie (Zielona Gora) 15. Kostryń nad Odra (Gorzow) 16. Kolno (Lomza) 17. Lipno (Wloclawek) 18. Lebork (Slupsk) 19. Lukow (Siedlce) 20. Miedzyrzec Podlaski (Biala Podlaska) 21. Ostroleka (Ostroleka) 22. Konięcpol (Czestochowa) 23. Sierpc (Plock) 24. Siedlce (Siedlce) 25. Slubice (Gorzow) 26. Sokola (Bialystock) 27. Siemiatycze (Bialystock) 28. Wlodawa (Chelm)

The principles governing preferential location will be defined in the draft plan for the spatial management of the country.

2. Restrictions on the Location of Industrial Investment Projects in Agglomerations

There will be a ban in the following urban agglomerations on the location of new plants and the expansion of existing ones when this results in the employment of more than 200 people:

I. Gdansk: (excluding the town and commune at Tczew)

1. Gdansk Voivodship:

Towns: Gdansk, Gdynia, Pruszcz Gdanski, Pszczolki, Wejherowo, Zukowo.

Communes: Kolbudy Gorne, Kosakowo, Luzino, Pruszcz Gdanski, Pszczolki, Wejherowo, Zukovo. [no listings with arabic "2" in this section.]

II. Katowice

1. Czestochowa Voivodship:

Towns: Kalety, Wozniki;

Communes: Koszecin, Wozniki

2. Katowice Voivodship:

Towns: Bedzin, Bukowno, Bytom, Chorzow, Chrzanow, Czeladz, Dabrowa Gornicza, Gliwice, Jastrzebie Zdroj, Jaworzno, Katowice, Knurów, Kuznia Raciborska, Leszczyny, Libiaz, Liziska Gorne, Lazy, Mokolow, Myslowice, Ogrodzieniec, Olkusz, Orzesze, Peikary Slaskie, Pyskowice, Raciborz, Ruda Slaska, Rybnik, Siemianowice Slaskie, Seiwierz, Sosnowiec, Swietochlowice, Tarnowskie Gory, Toszek, Trzebinia, Tychy, Wodzislaw Slaski, Zabrze, Zawiercie, Zory.

Communes: Babice, Bobrowniki, Bukowno, Chrzanow, Gaszowice, Gieraltowice, Godow, Gorzyce, Klucze, Krzanowice, Krzyzanowice, Kuznia Raciborska, Leszczyny, Libiaz, Lubomia, Lyski, Lazy, Mierzecice, Mszana, Nedza, Ogrodziniec, Olkusz, Pawlowice, Peitrowice Wielkie, Pilchowice, Psary, Rudnik, Rudziniec, Siewierz, Sosnicowice, Swierklaniec, Swierklany, Trapkowice, Toszek, Trzebinia, Twarog, Wielowies, Zbrosławice, Zebrzydowice, Zory.

III. Krakow

1. Krakow Voivodship:

Towns: Krakow, Krzeszowice, Niepolomice, Slawina, Wieliczka;

Communes: Alwernia, Biskupice, Czernichow, Krzeszowice, Liszki, Mogilany, Niepolomice, Siepraw, Skawina, Swiatniki Gorne, Wieliczka, Zabierzow. [no listings with Arabic "2" in this section]

IV. Lodz

1. Lodz Voivodship:

Towns: Aleksandrow Lodzki, Glowno, Konstantynow Lodzki, Ozorkow, Pabianice, Strykow, Zgierz;

Communes: Andrespol, Pabianice, Rzgow, Zgierz.

2. Piotrkow Voivodship:

Towns: Koluszki, Tuszyn;

Communes: Koluszki

3. Sieradz Voivodship:

Towns: Lask;

Communes: Dobron, Lask.

4. Skierniewice Voivodship:

Towns: Brzeziny;

Communes: Rogow

V. Warsaw

1. Ostroleka Voivodship

Towns: Tluszcz;

Communes: Klembow, Posvietne, Tluszcz

2. Siedlce Voivodship:

Towns: Minsk Mazowiecki;
Communes: Ceglow, Debe Wielkie.

3. Skierniewice Voivodship:

Towns: Mszczonow, Zyrardow;
Communes: Jaktorow, Radziejowice, Zabia Wola.

4. Warsaw Capital Voivodship:

Towns: Blonie, Brwinow, Gora Kalwaria, Grodzisk Mazowiecki, Jozefow, Karczew, Kobylka, Konstancin-Jeziorna, Legionowo, Marki, Milanowek, Nowy Dwor Mazowiecki, Otwock, Ozarow Mazowiecki, Piaseczno, Piastow, Podkowa Lesna, Pruszkow, Radzymin, Serock, Sulejowek, Warszawa, Wesola, Wolomin, Zakroczym, Zabki, Zielonka;

Communes: Brwinow, Celestynow, Gora Kalwaria, Grodzisk Mazowiecki, Halinow, Jablonna, Karczew, Lomianki, Michalowice, Piaszczno, Radzymin, Strzeszew, Stare Babica, Wolomin, Zakroczym.

This ban will not affect industrial plants that are directly involved in providing services to the agglomeration and its inhabitants or to undertakings that entail the use of local raw materials or waste materials.

Chapter 7. [as published; supplement does not carry Chapter 6] -- The Foreign Debt

It has been established that in 1990 the maximum level of foreign debt in relation to produced national income will amount to between 52.3 and 53.7 percent, compared with 50.3 percent in 1985.

Part III -- Instruments for the Implementation of Socioeconomic Policy [headline]

Chapter 1. Principles of Operation and Economic Instruments Serving To Ensure Economic Equilibrium and Plan Coordination [chapter head]

1. The manner in which the implementation of the plan will be directed will be based on the following:

- a) Use of the economic instruments and mechanisms that are part of the economic reform.
- b) The creation of conditions that will encourage both group and individual social activity and will stimulate enterprises and initiative in the process of producing goods and providing services.
- c) Simplified and more flexible forms of organizing economic activity and management.

2. The creation of conditions for further socioeconomic development will be assisted by the consistent development and strengthening of the principles of the economic reform.

A matter of fundamental importance will be that of accelerating the rate at which economic equilibrium is obtained in the economy by making use of all available economic mechanisms and instruments, including the stimulation of prices and the stepping up of self-sufficiency and efficiency requirements in putting investment undertakings into operation.

Enterprises will be subject to economic constraints, which will entail enterprise liquidation and bankruptcy, even if this leads to a temporary reduction in output levels for particular goods or in the provision of particular services.

The restoration of fiscal equilibrium and the elimination of inefficient enterprises will represent an important way of surmounting shortage of factors of production. The resources obtained in this way should be directed to the most effective and efficient units and areas, and this should help to stimulate the expansion of output and of the provision of services in the economy.

This calls for the direction of the economy to be increasingly oriented toward encouraging enterprise and developmental activity on the part of economic subjects. This will be realized by way of developing contractual relations and using the market mechanism controlled by the legal and fiscal instruments defined in the central plans. Direct center influence on economic subjects will be retained in the form of government orders for goods, investment, and tasks in the area of science and technology.

Limits will be placed on the scope of direct administrative interference in the disposal of means of production to encourage the development of contractual ties between economic units. To achieve this end, active use will be made of contractual prices and credit and tax instruments.

The system of economic organizational institutions and structures envisaged by the economic reform will be developed. The most efficient and energetic economic units should make active use of these structures for their development needs. Conditions will be evolved for creating various forms of ties between economic units based on the flow of material and financial resources. The procedures involved in the flow of these resources will assist this.

3. The decisionmaking autonomy of economic units will be strengthened within the framework of the laws currently in force on condition that economic units possess the capacity to be self-financing. At the same time, there will be strict observance of the legal principles concerning enterprises in a poor economic situation and the application of legal sanctions and the principles of enterprise responsibility.

4. Support, will be given to the further development of self-management as a means of activating social and occupational groups in the management process. The activity of self-management bodies will be stepped up in the process of socioeconomic planning in economic units and at the regional economy level and so will self-management activities in exercising supervision and control over the implementation of these plans.

5. The pay and employment position of managerial cadres will be made dependent on enterprise economic results, which should increase their interest in expansion and in improving efficiency. The professional training system will be developed with a view to fostering enterprise, innovativeness, and a readiness to take risks. The system for the control and evaluation of managerial cadres will be changed.

6. In shaping structure, the principles that will be observed will be those of not increasing the number of monopolies in the economy and of not agreeing to the setting up of one enterprise that will operate on a national level in all cases in which a considerable number of enterprises are already operating. The principle of submitting all organizational decisions in the economy to antimonopoly organ scrutiny will be introduced. The criterion of the economic effectiveness of changes will be applied in the process of organization restructuring in the economy, and this will apply to changes introduced on the initiative of state administrative organs as well as on the initiative of enterprises themselves.

Organizational structure formation policy in the economy will be based on the following principles:

1) Fuller use will be made of opportunities for the formation of organizational structures created by the legal regulations currently in force. Associations, as useful organization, will, above all, be created for the realization of great undertakings and programs that exceed the framework of an individual enterprise. They will also be used as an organization form of consortium established for the purpose of financing and realizing particular undertakings.

2) Active use will be made of the mixed enterprise and the trade law company for the purpose of creating stable economic, technical, and production ties between individual stages of production and cooperation. In the creation of these forms, use will be made of the assets of enterprises that ought to be liquidated or made the subject of recovery programs on account of their poor economic position.

3) Opportunities will be expanded for the creation of small enterprise that are local and cooperative in character. Particular efforts will be made to develop forms of mixed enterprises, created by regional authorities and large enterprises, and furnished with capital goods that are not needed or are not being fully utilized by parent bodies. Enterprises of this kind should, in particular, be set up in regions in which there is relative equilibrium in the labor market. Small enterprises, including various forms of socialized economic unit companies, will be established particularly in the fields of agricultural produce processing, the production of building materials, and the construction industry. The small enterprise will also be developed in the trade and procurement fields. This will be accompanied by the demonopolization of trade organization and by an increase in direct producer participation in trade in the form of producers' own shops and trade companies. Use of the agency system in trade will be extended, and conditions will be created enabling shops to enjoy greater independence.

4) To develop concern-type organizational structure that have a sound economic basis, it will be possible for a new type of enterprise to be established through transforming a state enterprise to purchase part of the enterprise's assets. In particular, the creation of this type of enterprise should be based on the financial resources of large enterprises of producers of finished goods and on the organizational and asset base of cooperative enterprises.

5) Support will be given to initiatives aimed at the organization of specialized units dealing with the introduction of innovations. This will be aided by appropriate legal and economic conditions for direct cooperation between production units, units that create scientific and technological achievements, especially in the form of companies and institutes. Scientific-production centers will be organized, and by using the forms of the company and the mixed enterprise, these bodies will make it possible to strengthen direct links between the research and production processes.

6) The review of economic and state organizational structures of state administrative organs to make them more flexible. [paragraph continues]

This will particularly apply to the principles for the supervision of economic activity.

7) Conditions will be created for the expansion of enterprise cooperation irrespective of their ministry or branch affiliations and their form of ownership. These conditions should facilitate the horizontal flow of information; the promotion of organizational, economic, and technical experience; and the organizational of enterprise cooperation for the benefit of the region.

8) In order to intensify use of arable land and increase agricultural production, improvements will be made in economic policy (prices, credits, taxes, subsidies), the system of supply contracts, and the principles governing the supply of factors of production to agriculture.

Chapter 2. Instruments for Controlling Personal Incomes [chapter head]

1. Shaping income in the material sphere:

1) The principles for creating resources to pay wages will be improved by limiting use of norm-based formulae and making more extensive use of the wage bracket formula and the formula of taxing individual pay.

2) Taxation will be increased with regard to pay that exceeds the index for growth in pay that is exempt from taxation on supernumerary pay.

3) Measures will be introduced to prevent enterprises from awarding pay raises that, as a result of the tax obligations stemming from them combined with obligations from previous years, would make it necessary to initiate internal proceedings under Article Four of the law on improving the running of state enterprises and state enterprise bankruptcy. The breach of regulations stemming from such solutions will result in financial disciplinary sanctions being applied against enterprise managerial personnel.

4) Individual concessions and exemption from taxation of supernumerary pay will be eliminated. However, differentials will be improved systematically by way of using the method of aggregate pay evaluation.

2. In order to create better conditions for the conduct of enterprise pay policy, changes will be introduced to the principles for determining the lowest pay level with its partial indexation.

The lowest level of total pay will comprise the basic level of pay, an amount based on the valuation of the simplest form of work, and other elements envisaged in pay principles, and it will not, therefore, be a uniform category throughout the socialized economy. The basic pay level (currently 25,400) ought to be subject to annual indexation based on the growth in retail prices (which are to be introduced on 1 January of a given year) without taking into account the growth in the prices of liquor and tobacco. This will be a uniform category.

The lowest level of basic pay will be used to determine the components of pay and other benefits and payments that, in accordance with the regulations that have thus far been in force, were based on the lowest rate of pay. This will not apply to social benefits. [paragraph continues]

Efforts will be directed toward departing from a parameter-based linkage of these benefits with the lowest level of pay or the lowest level of basic pay.

3. In striving to effect a closer linkage of pay levels with a enterprise's economic performance by way of plant pay systems, more stringent conditions will apply to the introduction and application of plant systems in the form of:

1) Additional conditions such as:

-- The review and verification of work norms using analytical methods

-- Reviewing jobs and conducting job certification.

-- The application of a uniform method of work valuation for the purpose of setting pay levels and creating plant pay rates.

b) Making it binding on enterprise directors to make appropriate changes to the part of a plant agreement covering the plant pay system when the enterprise loses credit-worthiness.

4. Collective labor agreements will be an essential instrument for the attainment of pay policy objectives. Collective labor agreements should serve to create appropriate pay differentials between occupations and jobs in individual sectors and in the economy as a whole; they should also help to closely link employee pay levels with the amount and quality of work performed and the conditions of its performance.

To this end, collective labor agreements should:

-- Take into account the financial situation of all enterprises that are to be covered by a collective agreement, so that provisions of the agreement do not force pay to rise to a level that cannot be covered by the enterprises' financial resources and would give rise to obligations on account of the tax on supernumerary pay.

-- Not increasing the scale and range of the application of allowances in kind and branch benefits or the equivalents of benefits and allowances in kind,

-- Recommending and giving preference to group forms of labor organization and pay,

-- Using a uniform method of job valuation for the purpose of setting pay rates, creating wage scales, and wage brackets for individual jobs (including those of directors of work places),

-- Establishing pay systems that are appropriate to the forms of activity engaged in the plants covered by a labor agreement and that take account of the results of job certification.

Making bonuses dependent on the realization of concrete, measurable tasks, particularly tasks connected with increasing labor productivity, improving quality, introducing technical and organizational progress, and the conservation of raw materials, secondary materials, fuels and energy. Bonus funds should be put into operation only in cases in which tasks have been fully implemented and on condition that the plant does not have to pay tax on supernumerary pay awards.

Before concluding a collective labor agreement, the appropriate ministers (the heads of central offices), central cooperative organizations, central social organizations that are national in character, and associations of nonsocialized work places should conduct a detailed analysis of the financial consequences of implementing the agreement. A particularly important part of this should be determining the probable growth in pay along with establishing (and indicating) the sources of funds for covering the cost. The results of this analysis should be submitted to the minister for labor, wages, and social affairs when the registration of a collective labor agreement is proposed.

5. In order to make pay in units of the budgetary sphere bear the envisaged relationship to pay in the material production sphere from 1987 onwards, the different mechanisms currently employed for the valorization of pay in these units will be replaced by a uniform system. Work valuation methods will be used in achieving the required pay differentials in the budgetary sphere.

6. In addition to the principle of profitability in agricultural production, the principle of parity of incomes under conditions of efficient production will also be applied in income policy vis-a-vis private agriculture.

7. The following activities will be undertaken as part of policy in determining the income of people who support themselves by performing work in the nonsocialized economy outside of agriculture:

-- The intensification of controls on costs, turnover, and incomes by way of making records of economic operations more extensive, particularly in plants in which sales to units of the socialized economy predominate,

-- Income taxation will be adapted to suit changing economic conditions; while ensuring that private workshops maintain legitimate profitability, this form of taxation should continue to limit incomes that are socially unacceptable and cannot be justified in terms of the amount of work performed,

-- Intensifying rigors vis-a-vis those who breach regulations on trades and handicrafts to the extent of withdrawing licences in cases of particularly flagrant violations of the law,

-- The granting of more extensive powers to regional administration units in deciding about the scale and structure of handicrafts, and private trade and services, including the number and structure of those employed in this sector.

8. Conditions need to be created for improving the material situation of those in receipt of pensions in the form of obtaining supplementary income from work. This process should be assisted by the following:

-- Raising the level of income that can be earned without the loss of benefit rights,

-- Reducing the level of contributions to the Social Security Agency from the pension fund,

-- Granting income tax concessions by virtue of the organization of employment positions for disabled people.

9. The social benefits system will be improved by the following:

-- The gradual elimination of the old pensions system,

-- Establishing a method for the annual valorization of pensions in line with the increase in the cost of living, excluding rises in the prices of liquor and tobacco,

-- Changing the method used in establishing the bases for the level of pension benefits,

-- The introduction of an upper limit on pensions in order to eliminate pension inequalities.

10. In striving to increase occupational activity and reduce certain negative social phenomena partially connected with the system of social benefits, there ought to be:

-- Changes to the system of sickness benefits and home care allowances,

-- The introduction of bonuses for persons who remain at work although they have reached retirement age.

Chapter 3. Instruments For Directing Investments Activity [chapter head]

1. The following basic principles governing control over various types of investments are called for:

1) Concerning central investments, the second part of the list of central investments is binding on ministers and voivodas in charge of investors. The investments contained in the list may be commenced after they have been included in the central annual plan and after their estimated cost, period of performance, results, and financial sources have been established.

2) Concerning investments by financial units of ministries, decisions to commence individual investments will be made by the relevant ministers within the limits of the outlay available to individual ministries.

3) Concerning investments by local authorities, the investment outlay available to individual voivodships serves as a basis for determining the size of funds to be paid out of the budget, taking into account the possible size of voivodships' own funds.
[paragraph continues]

The budgetary funds for investments in individual voivodships are binding. Within their framework and taking into account voivodships' own funds, decisions to commence individual investments will be made by the relevant peoples' councils or other local bodies of state administration that are empowered by these councils to make such decisions.

4) Investments by enterprises are to be performed on the basis of independent decisions by the enterprises themselves, within the limits of their own funds, to which may be added bank credits or funds from central sources. In exceptional cases, these financial resources may be supplemented by increments out of the state budget, especially in cases involving structural alterations or a decrease in the consumption of fuels, energy, and materials.

5) Investments, in certain cases governed by separate rules, paid for out of social and special funds are to be performed on the basis of decisions by the economic units involved, to the extent permissible by the size of their own funds plus increments out of the state budget.

2. It is foreseen that in 1986-90, any start on investments worth over 2500 million according to 1984 prices and financed wholly or partly out of the state budget, and investments performed by enterprises enjoying subsidies out of the budget will require the approval of the chairman of the Council of Ministers' Planning Commission, which will be issued in concert with the finance minister.

This does not apply to investments in power stations to be completed by 1990, which are governed by separate rules. The estimated value of these investments will be adjusted in central annual plans according to envisaged price rises.

3. State and cooperative enterprises or federations of enterprises, the unions therein, and economic units belonging to social organizations -- all of these henceforth referred to as economic units and all of them undertaking construction projects -- will be required to pay a security deposit to their appropriate bank, which will not earn interest.

The size of the deposit will vary from area to area, depending on the extent of the project. There should be a smaller deposit payable for preferential schemes as mentioned in this plan and for schemes conforming to the national land utilization plan.

The deposit will be refunded, provided the deadline for completing the investment project and making it fully operational has not been exceeded. If it is exceeded, the deposit will be paid into the central budget or relevant voivodship budget depending on the investor's parent organization, or it may be paid into a centralized development fund for the benefit of the relevant central cooperative union.

The deposit will amount to 20 percent of the estimated cost of the buildings in the case of projects that conform to the preferred economic goals due to be established by the Council of Ministers, and 50 percent of this estimated cost in all remaining cases, with the exception of those specified in Paragraph 4. The Council of Ministers will establish rules governing reduced deposits payable for local investments in preferential areas as far as land utilization is concerned.

4. No deposits will be paid by economic units for the following investments:

1) Those involving health care, physical culture, tourism, recreation, improvements in work safety and hygiene, environmental protection, and government orders in the scientific and technological spheres:

2) Those involving the construction of housing and communal infrastructures;

3) Those involving the construction of production facilities on state farms, in the agricultural and food industry, and at agricultural procurement and retail points; and those involving the construction of trade and service premises and storage facilities in ports, postal and telecommunications premises, telephone exchanges, radio communication premises, factories and repair workshops, and railroad rolling stock repair depots;

4) Those financed out of the central fuel, energy, and materials savings fund, by-products fund, and automobile tire reconditioning fund;

5) Investments performed by local state small-scale production enterprises;

6) Those financed out of the state budget, as well as out of specific funds created from public donations;

7) Those performed by cooperatives of the blind, cooperatives of invalids, and the Polish Union of the Deaf and Polish Union of the Blind;

8) Other investments as specified by the Council of Ministers.

5. Depreciation payments for state enterprises are hereby divided into two parts, one part remaining at the disposal of the enterprise, and the other comprising 50 percent of the first, to be paid into the central budget or into the voivodship central disinvestment fund in accordance with the 26 February 1982 rules governing the finances of state enterprises.

Depreciation payments involving fixed assets used for environmental protection do not have to be paid into the above funds. The enterprise may retain them in their entirety and include them in its development fund.

6. Enterprises and organizational units belonging to the coal and power industries; state railroad; postal, telegraph, and telephone service; merchant and fishing fleets; state agriculture; state forests; radio and television; and tourist industry are totally exempt from paying these costs, as are enterprises and organizations involved in improving dangerous working conditions as specified by the minister of labor, wages, and social services; and those governed by the Ministries of National Defense, Internal Affairs, and Justice.

7. In order to permit faster modernization and structural alterations in the economy, concessions will be granted on depreciation payments into the state budget or central disinvestment fund according to rules and in spheres defined by the Council of Ministers in accordance with the law on the finances of state enterprises.

Enterprises performing investments designed to boost exports will be granted additional concessions.

These concessions for state enterprises will take the form of reduced repayment of loans from central funds received after 31 December 1986 in spheres specified by the Council of Ministers.

The size of concessions on depreciation payments into voivodship disinvestment funds is to be determined by the voivodship people's councils.

7a. The Council of Ministers is working on draft changes to the rules governing the division of state enterprise depreciation payments, so that the enterprises may retain these in their entirety.

8. The principle of constantly recording the value of fixed assets and depreciation costs will be introduced.

This will be preceded by a general review and revaluation of fixed assets at the end of 1987 (1986 in some spheres) and a review of depreciation payments. There will also be more flexible rules governing the depreciation of fixed assets, so that these assets may be adapted to concrete economic conditions in economic units.

9. The scale of state operational norms governing the use of machinery and equipment will be expanded, and such machinery and equipment will be certified as a necessary condition for their use.

10. In order to apply energy and material-saving solutions to the investment planning stage, urban planning standards and the minimum efficiency standard of economic solutions will be reviewed for the purposes of programming and planning. Such reviews will occur periodically.

11. Construction will be set in order and set to a higher standard by means of the following measures:

1) Banks will give reduced credits to those enterprises that fail to complete construction work in the time limit specified in the contract;

2) Fines will be imposed on participants in the investments process for failing to discharge their duties or failing to do so properly;

3) Model patterns for completing investment processes will be propagated;

12. In order to prevent unjustified rises in the costs of investments, a maximum limit on rises in the costs of building various types of premises will be set.

13. In order to make sure that economically and socially urgent facilities are completed on time, the system of government orders governing selected investments will be continued.

This will apply in particular to the expansion of export potential; the reduced consumption of energy, fuels, and materials; and environmental protection, especially in the Katowice and Krakow conurbations.

As successive investment projects are completed, the Council of Ministers will introduce new ones to the system of government orders and include them in central annual plans. Outlay on these out of total spending will be no greater than in the previous year.

14. Income tax concessions will be granted to enterprises for investments designed to boost exports, introduce technological scientific and technological achievements connected with government orders, perform particularly important scientific and technological development tasks defined in the central annual plan, protect the environment, and improve work safety and hygiene.

Investment undertakings covered by the restructure program and by government orders in the scientific and technological spheres will receive extra finance out of central scientific and technological development funds.

15. Specific central funds will be created in order to promote more investment undertakings.

16. There should be a system of regularly examining investment processes, mainly to examine outlay in relation to time and results.

Chapter 4. -- Economic-Financial Instruments for Directing Foreign Trade. [chapter head]

1. Foreign exchange rates will play a greater importance in the balance-sheet of economic cooperation with foreign countries.

2. In spheres subject to structural alterations, a system of subsidies should be formed which pays enterprises in proportion to the size of their exports.

3. Accounts dealing with food trade will be omitted from foreign trade clearing. An agricultural exports development fund will be created out of budgetary resources.

4. Transaction prices will be applied more broadly to accounts settled between producers and trade enterprises.

5. The system of foreign currency grants for exports will be maintained. However:

1) The level of these grants should be gradually made uniform and stable in the long run.

- 2) Higher grants should be paid to those organizational units that have achieved a high exports growth rate,
- 3) The size of these grants will also depend on the quality of exports,
- 4) It will be possible to transfer, free of charge, a part of these foreign currency grants to other state economic units according to a bank-organized system;
- 5) Foreign currency accounts will be gradually turned into investment accounts.
6. All enterprises will be allowed to take part in retail markets conducted with foreign currency.
7. Economic units producing goods or providing services for export for the first time will automatically receive one installment of the foreign currency grant.
8. The system of ruble grants will be expanded.
9. A system of foreign currency credits for exporters will be developed, with the possibility of repaying them out of profits earned by exports. This system will be backed by zloty concessions and tax reductions in zloty foreign trade.
10. Imports paid for out of central funds will be restricted at the same time as the system of foreign currency grants and credits is expanded.
11. Income tax concessions will be granted according to the quality of exported goods and services.
12. There will be stronger wage incentives for exports.
13. Import duty will be made to serve a greater economic purpose.
14. There will be priority supplies of commodities for export production.

Chapter 5. Instruments for Controlling the Quality of Production and Technological Progress. [chapter head]

1. More goods and services will be certified according to proven standards.
2. The development of a system of certifying and controlling quality, together with the necessary laboratory and cadres base, will be paid for out of the fees charged for the issue of quality certificates and out of fines imposed for violations of state standards and for bad quality goods.

3. A system of assessing the technical standard of products and processes will be developed. The system of government orders for the development of science and technology will be used in order to organize and finance it.

Technological assessments will also form part of the review and certification of organizational structures in the economy and of the system of assessing enterprises. These technological assessments will be introduced first of all to the electrical goods industry, chemical industry, and building materials and construction industries.

4. The production and use of commodities and technologies not up to state standards will be banned.

5. The system of government orders for scientific and technological tasks and tax concessions and awards out of the Central Inventions Support Fund will be continued.

6. In 1987-90, contributions into the technological-economic progress fund for enterprises and state organizational units will be as detailed in Table 1. This fund will remain at the complete disposal of economic units. It will be possible to voluntarily increase and limit one's contributions to this fund within a certain limit, according to the research and development work being performed.

7. Contributions to the central scientific and technological development fund for state enterprises, mixed enterprises, or trade companies of which over 50 percent is in the hands of the state treasury or state economic units is fixed as follows: In 1987, 1 percent [of what is not specified]; in 1988, 1.1 percent; in 1989, 1.2 percent; and in 1990, 1.3 percent.

The level of contributions is calculated according to the value of sales, taking into account the rules applicable when calculating contributions to the technological-economic progress fund.

Chapter 6. Instruments of Land Utilization and Environmental Protection. [chapter head]

1. The following features will be employed in the country's land use and environmental protection:

a) Government orders for new technology, especially that involving the desulphurization of fuels and exhaust gases, boilers run on liquid fuel, the removal of nitric oxide from exhaust gases, the desalination of water, and the use of industrial and communal waste.

b) Checks on the norms and standards of products and technology, plus a system of certifying these and banning any that fail to come up to these standards.

c) A system of security deposits for investments, the size of which would vary depending on the area and type of investment.

2. Credit policy for development projects should give priority to those cities and regions which have been given preference in the national land use plan and those undertakings involving the protection of the natural environment.

3. Income tax concessions for investment connected with environmental protection will be continued.

4. People's councils and state administrative bodies should create the economic and organizational conditions necessary for the development of water companies and the commencement of joint undertakings by economic units designed to protect the environment in specific cities and regions.

5. It will be possible to subsidize enterprises in the form of loans out of the Environmental Protection Fund and Water Management Fund.

6. In order to make comprehensive use of mineral deposits, concession for their use will be introduced.

Chapter 7. Ways of Rationalizing the Material and Fuel-Energy Economy. [chapter head]

1. In order to improve the materials economy and supply of materials, economic mechanism and instruments will be introduced to restore a balance in specific sectors of the supply market and increase the number of contracts freely concluded between suppliers and recipients.

There will be legal and economic conditions permitting long-term agreements between state economic units, particularly concerning joint production and mutual supplies of spare parts.

2. The compulsory brokerage concerning supplies will be reduced in extent, so that by 1990 it will only apply to fuel, energy, and products of which there is the greatest shortage.

3. Operational programs will be discontinued as of 1988 and replaced by government orders. Government orders will also involve structural alterations designed to improve management.

4. There will be bans on products and technologies that are of poor quality and excessively material- and energy-intensive.

5. Newly introduced products will be certified as to their energy and material-intensiveness.

6. Prices, taxation, and credits will be employed more effectively in an effort to reduce the unit consumption of materials, make greater use of by-products, and accelerate desired changes in the use of materials, fuels, an energy.

A system of material incentives to economize on fuels, materials and energy will be propagated among enterprises.

7. The system of central funds supporting efficiency-promoting undertakings by enterprises will be continued.

8. State standards for the consumption of materials and for economizing on fuels and energy will be introduced.

9. Economic units are to work out their own internal austerity programs as an integral part of their 5-year plans.

10. In order to expand and perpetuate the practice of long-term joint production agreements, tax concessions will be granted.

Part IV -- Information and Forecasts [headline]

Chapter 2. A Concise Balance-Sheet of Basic Fuels and Materials [chapter head]

It is reckoned that during this 5-year period, the amount of fuels, energy, and materials at the disposal of the national economy will increase by about 10 percent. Deliveries from domestic sources will increase by about 11 percent and those from foreign sources by about 9 percent.

It emerges that the supply of basic fuels and materials for the country's needs may increase by 9.3 percent during this period. The plan calls for a faster growth in supplies for market purposes (by 13.6 percent) than for production purposes (by 8 percent).

Supplies to individual production spheres of the national economy will increase to a varying extent:

Sphere	Percentage growth (1985-90) in supplies	
Industry		8.8
Agriculture		13.7
Construction		3.2
Transportation	minus	2.2
Communications	minus	2.3

It is estimated that supplies to the small-scale production industry will rise by 6.9 percent. Exports of fuels and materials will rise by 9.9 percent.

It emerges that supplies of contracted fuels for the country's needs may rise by 6 percent during this period.

If by 1990 the extraction of bituminous coal reaches 195 million metric tons per year and exports of this coal 30 million tons per year, then deliveries of this coal to the national economy may only increase by 4.1 percent. In a situation like this, it is particularly important to increase the extraction of brown coal to 74 million metric tons per year by 1990, in other words a 28.1 percent growth.

Deliveries of natural gas from the Soviet Union will increase by 1.4 billion cubic meters, which will permit a 12.3 percent rise in domestic consumption. However, deliveries of gasoline and heating oil will diminish, which will cause tension in the balance-sheet of liquid fuels.

Electricity output, which will amount to 156 billion kilowatt hours by 1990, plus electricity imports from the USSR, will permit a 18.3 percent rise in the country's electricity supply.

The country's supply of metal products during this 5-year period will rise as follows: Steel goods by 5.2 percent, copper by 1.6 percent, and aluminum by 3 percent.

Concerning chemical products, there will continue to be an enormous shortage of plastics, with the exception of PVC.

The country's supply of cement will rise by 18.9 percent, mainly thanks to greater domestic production by 3.2 million metric tons and reduced exports.

Supplies of wood and paper commodities will be as follows: The supply of pine timber will fall by 7 percent and that of paper and chipboard will rise by 9 and 29.9 percent respectively.

Supplies of lard will increase by 15.3 percent, of butter by 8.1 percent, and of sugar by 8 percent thanks to increased production.

Chapter 3. Changes in Supply and Demand and of Prices on Foreign Markets [chapter head]

It is foreseen that in the second half of the 1980's, the world economy will develop under the influence of new trends that have appeared over the last decade. Average annual development in the developed capitalist countries will fall to 3-3.5 percent, that in the CEMA countries to 4 percent, and that in the developing countries to 4-5 percent.

There will be further changes in the structure of foreign trade toward increased trade in products of the processing industry and less trade in fuel, raw materials, and food. Goods that are of high utility, modern, and considered among the so-called science-intensive goods will enjoy the fastest trade on world markets. One should expect installations and equipment that meet specified energy and material consumption standards and are destined to protect the working and natural environments to enjoy the heaviest demand.

One should expect a difficult access to basic factors of production, especially modern technology, equipment, and fuels. [paragraph continues]

These difficulties are caused by unfavorable price relations for exporters of raw materials, the monopolization of supply markets, restrictions, discrimination, and unequal treatment of partners on commodity, financial, and other markets.

One should expect a further fall in the prices of food, crude oil, coal, timber, and cellulose. The price of iron and steel and of ferromagnetic ores should stabilize or fall slightly, at the same time as which the price of nonferrous metals and textile raw materials is expected to rise. Owing to an expected increase in stocks, the prices of stimulants [uzywki] will fall, unless there are failures with certain types of crops. The price of wheat will probably fall.

One should expect a fall in demand on world commodity markets. Import requirements in international trade will rise by an average of 5 percent per year. The fall in demand may also apply to meat and meat products on the European market.

Chapter 4. An Employment Forecast in the State Economy [chapter head]

An expected rise in employment in the state economy by 425,000 employees means that total employment in 1990 would be 12,118,000, which is 3.6 percent more than it was in 1985.

If employment in the production sphere only rises by 1.7 percent by 1990, it will amount to 9,207,000, whereas if employment in the nonproduction sphere rises by 10.3 percent, it will amount to 2,911,000.

As a result, the structure of employment according to spheres would change as follows:

	1985	1990
Total employment	100	100
Employment in material production sphere	77.4	76
Employment in nonmaterial production sphere	22.6	24

In the material production sphere, there may be considerable increases in employment in the communal economy and in communications (by 7.9 and 6.3 percent respectively).

Employment in industry will remain more or less the same. There may be a certain increase (6 percent) in the fuel and energy industry.

Changes in employment will provide the following picture:

	100	100
Total employment		
Industry	36.5	35.3
Construction	9.5	9.3
Agriculture	6.9	6.8

Forestry	1.3	1.4
Transportation	7.5	7.5
Communications	1.4	1.5
Trade	10.7	10.5
Communal economy	2.9	3
Remaining economy	0.7	0.7
Housing and nonmaterial communal services	1.8	1.9
Science and technological development	0.9	1.2
Education and upbringing	7.7	8
Culture and art	0.7	0.8
Health care and social security	6.3	6.9
Physical culture, tourism, and recreation	0.9	0.9
State administration and judiciary	2	2
Insurance and finance	1.1	1.1
Remaining branches of nonmaterial services and social organizations	1.2	1.2

As far as employment forecasts on a local basis are concerned, an exceptionally difficult situation will arise in large industrial conurbations, where the possible rise in employment will fail to satisfy all essential needs.

Part V -- Conclusions [headline]

1. The Council of Ministers will present a program of creating economic equilibrium mainly with the help of institutional instruments and a program of adjusting economic parameters as basic components of the second stage of economic reform.
2. Central and local annual plans should take into account additional resources for specified land improvement tasks as financial reserves and raw material savings permit.
3. If the economic conditions discussed in Part IV develop differently to the way foreseen in the plan, the Council of Ministers will present alternative concepts of economic action.
4. The 1986-90 National Socioeconomic Plan is to be published in the Official Journal [DZIENNIK USTAW] of the PPR.
5. This resolution is valid forthwith.

POLITIKA ASSESSES MIKULIC'S GOVERNMENT

AU091400 Belgrade POLITIKA in Serbo-Croatian 28 Dec 86 pp 1-2

[Aleksandar Prlja and Biserka Matic article: "Strengthening Yugoslavia Is Not Centralism"]

[Excerpts] It is more than 7 months -- 226 days to be exact (on the day that this issue of POLITIKA is published) -- since the FEC took over. The government, therefore, is not so new any more, and it is not an inessential fact that it did not enjoy the traditional 90-day grace period granted to practically all its predecessors. [passage omitted]

We recently have talked with people who, almost every day, carry out important work for the government. They are unanimous in their assessment that Mikulic's words have not lost their significance. "The government," one of them said, "was aware of the seriousness of the situation and the fact that it is embarking on a complex and great task. One cannot solve all the things that have been accumulating for years by one move, measure, or basket of measures.

Other close associates of the FEC president say that these 17 months have confirmed their belief that everybody is equally in favor of efforts and sacrifices in words, but hardly anybody actually wants to renounce anything. Those who are better off expected the new FEC to make things even better for them, and those who are weaker and less successful expected that it would immediately rescue them from their problems. However, nobody is willing to give up what he has not earned, neither now nor then.

In his inauguration speech, as we remember, Branko Mikulic announced that the new FEC would insist, apart from an aggressive development policy, on a policy of sobering up, a realistic economy, and strict consideration and respect for the law. In his later public speeches, the FEC president did not miss the opportunity to repeat that the government would not go back on that promise. Mikulic's aides now say that this is not a matter of "personal obstinacy," although they agree that the president is a man who "rarely gives in on major directions." He is not obstinate as a person, but he is in his job. [passage omitted]

"The main problem, in the president's opinion, is the great increase in personal and public spending. Consumption has been let loose. A return to the original premise of socialism that one must not spend what one has not earned has been the chief preoccupation of the government in the past 226 days," one of the people speaking to POLITIKA said. In this respect, we agree that one cannot live better if we continue to do as we have been doing, especially if productivity stays at the present level.

First Simulation, Then Measures [subhead]

Although those around Branko Mikulic confirm that he is a very persistent man in striving for something that he considers important, those who talked to us pointed out that he likes very much to ask for, and listen to, experts' advice, perhaps even more so than some of his predecessors. They illustrate this assertion with the FEC president's endeavor to obtain the opinions of very able experts before he asks for specific measures to be prepared. This most probably is the explanation for the present FEC setting up councils of able experts attached to all the important administration organs. These councils have not been formed according to a formula, nor were they delegated by sociopolitical organizations, and even less have their members been selected on the basis of some equal representation with our usual precision being weighed.

"It is a matter of councils with branches characterized by Yugoslav renown and prestige. However," it is said in the FEC, "this is not the only innovation. This FEC adopted the principle that every important measure should in some way be tested in practice before it is proposed in the form of a bill. First of all, the probable effect of the proposed solution is tested in about 200 specially selected work collectives according to the sample method, and only subsequently the proper legislative procedure is set in motion."

We landed in an economic crisis because we did not apply some of the most important realistic economic criteria. This, after all, is said in all the adopted party and state documents, and especially in the Long-Term Economic Stabilization Program. Therefore, nobody can be and must be against the working of economic laws and realistic economic relations, it is said in the FEC. The FEC, of course, this least of all can allow itself. Our informants add, however, that many people in this context forget that realistic economic criteria are being introduced within the framework of socialist commodity production. One cannot, therefore, speak about some completely liberal and spontaneous policy in the style of "laissez-faire" like the one in the 19th century classical capitalism.

Here one inevitably comes to the eternal theme of the unified Yugoslav economic area and market. The division of this area into eight parts for a long time has demanded a so-called returning step which, of course, will not impinge on the essential rights of the federal subjects, but will direct the parts economically to a greater consideration for the whole and even to a more secure implementation of some interests. The strengthening of Yugoslavia as a whole is in the common interest of all its parts, but it is not centralism.

The Constraint Number One -- Disunity [subhead]

We thus come to a new subject in our talks: the constraints in the FEC's work. The first and the most important one, unfortunately, is still considered to be disunity in Yugoslav society. "It is very difficult to come to a synthesis; virtually all the partial interests are overemphasized," a distinguished lawyer in the FEC says. What the government proposes, the assembly bodies within their constitutional power often "strip" of even the most essential parts, so integral solutions virtually do not pass. Little has changed here now.

Although this government contains so many doctors of science and acknowledged experts, the overall cadre abilities of the FEC and its machinery noticeably have been reduced. This, our informants tell us, is the second constraint in the work of our government. The change of the generations is too quick, many have retired, their replacements are not always adequate, and the republics, to tell the truth, do not send their best cadres to Belgrade. The space for cadre renovation of the FEC is very limited.

The most difficult thing, however, is to conquer the ideological wrappings that are often archaic and which conceal partial interests. This is what Branko Mikulic said about it immediately after his election as premier: "Partial interests are expressed and defended even in marginal points." [passage omitted]

This has led to a situation which was analyzed by Mikulic, who insisted on an ideological clarification, in the following way at the 13th LCY Congress: "We needed 3 years to adopt the Long-Term Economic Stabilization Program, and the remaining 3 years were not sufficient to implement all the measures that were envisaged by the first stage of the realization of this program, and it was shown during these 3 years that consciousness, behavior, and the positions acquired cannot change easily. During this period (of 6 years), extremely great technological changes occurred in the developed world ..."

The FEC Undergoes Constitutional Changes [subhead]

It is also interesting to hear how our informants look at the Critical Analysis of the Functioning of the Political System and the constitutional amendments initiatives that are so much discussed. "It is not merely a question of the government obtaining greater powers with the proposed amendments," one of the informants said. The SFRY Assembly is the place where economic policy is harmonized and it should remain so. After all, the FEC in its present composition entered the scene after the adoption of the Long-Term Economic Stabilization Program and the adoption of the 5-year plan until 1990. In our system, the government does not determine the economic policy, but only proposes it, although it is responsible for the state of the country. The policy is determined by the assembly, but the majority of criticisms by dissatisfied people nevertheless descend on the FEC. This seems to be the fate of all our governments, and it is something that Mikulic and his predecessors have called the position of the duty "duty scapegoat."

Mikulic and his aides do not think that the powers of the government are small or insignificant. Even with these powers, the FEC has done a great deal to ensure the unity of the Yugoslav economic area and market, equality in the conditions of business operations, the strategy of technological development, the development of the agricultural sector, tourism, and energy. Our informants simply do not hide their good mood when the unified approach to the world market in the case of the "Yugo America" [automobile] and the exports of furniture are mentioned. "The FEC does not want to get anything that is not within its powers, and certainly not anything that is within the powers of the republics and provinces," one of our informants stressed, "but the FEC wants to create uniform conditions for business operations in which all the segments of the economy will work independently in the name of a common and general interest."

The people in the FEC do not think that the FEC has been "granted" everything to make it possible to implement its role envisaged by the Constitution. "The taxation policy," one of our informants said, "is now fully within the powers of the republics and provinces. There is no similar case in the world. What is more, the government cannot influence and oversee the implementation of uniform laws applying to the whole country. This practice continues at present and it is clear to everybody that it must be changed, for it periodically affects the efficiency of the overall economic policy. The essential position of the republics and provinces guaranteed by the Constitution would not change if the common federal government were offered broader executive powers in the taxation policy."

In the opinion of FEC lawyers, and can see by the reaction to Mikulic's persistent efforts to have laws more consistently implemented that the obstacles are not small. "If some bills until now were more easily adopted in the belief that they would remain a dead letter, many who fear that localist interests would be undermined now say: 'Well, if all this is to be consistently implemented, then we do not vote in favor.' This is also indicated by the situation in which the FEC found itself after Milos Milosavljevic and Janez Zemljarić announced the new measures in the SFRY Assembly. Suddenly warnings began to pour in to the FEC in the form of letters and questions: How are we going to survive, will there be social unrest, how do we go on? But in fact it was only a matter of implementing a policy that had been adopted a long time ago."

Government for the People [subhead]

A feeling in favor of a so-called "strong government" was created in the public some time ago. One expects it will provide all the solutions, but nobody gives sufficient thought to the fact that the notion of "destatization" -- nobody is against it in principle -- chiefly referred to the federal state, or in other words to the FEC. The situation in the republics and provinces is quite different. Destatization, if there was any, stopped there much more quickly.

The new government therefore has made a great effort in communicating with the broadest public. One gets the impression that this public is in a way made a witness to all the possible disagreements about the policy agreed upon. "Of course," our informants pointed out, "one cannot expect of the government that it will appear on television daily, like a television show, and one cannot think that the session of any government could be wide open to the press and the public. All the rest, however, has been presented by the new FEC for the public to see. This is one of the long-term options."

Precisely in this way the greater part of the truth about resistance to the adopted policy and the generally accepted positions has reached the public. It is nevertheless unanimously pointed out in the FEC that not even close teamwork, publicity of its work, or Branko Mikulic's persistence (and not "personal obstinacy") can ensure victory over the crisis unless resistance is broken in the political sphere. The only place where this way happen is in the LCY.

"Until we clear up resistance and start going in a synchronized way -- and this cannot be done without the LCY -- it will be difficult to defeat the crisis." At the LCY Central Committee session in November, Mikulic clearly expressed his fear at the illusion that everything can be changed for the better with the changes in the Constitution and the Associated Labor Law. [passage omitted]

The energetic recalling of the most important principles in society in general does not reduce the fire and resolve displayed by the present FEC regarding support for small businesses, which are only at first sight less important, and for private work in general, from which society may derive considerable benefit, too. The FEC has proposed to the assembly measures supporting small businesses. During our latest visit to the Federal Building we learned that shortly, as soon as in January 1987, an original idea by Branko Mikulic from this field will be carried out.

In that same building in January, a meeting will be held with a large group of businessmen from abroad, who are our countrymen and who continue to wish to do business and have other cooperation with their original home. [passage omitted],

More Work and a More Realistic Economy [subhead]

"In our society as a whole," FEC President Branko Mikulic said in a special short statement to POLITIKA on the occasion of the New Year, "a radical turn must be made to a realistic economy and to strengthening the material basis of associated labor or self-management. Unfortunately, the energy of a large number of the subjects of our social life is still primarily directed at obtaining funds for spending regardless of the income earned. If in our country as much effort were put into finding opportunities for increasing production efficiency as is put into excesses in spending, it would be an indication of a significant change of behavior, an increase of responsibility for the general state for our economy, and an encouragement to come to grips generally with the causes of the economic crisis."

KRSKO NUCLEAR POWER PLANT RESUMES OPERATION

AU091804 Belgrade Domestic Service in Serbo-Croatian 1400 GMT 9 Jan 87

[Marinela Raznjatovic report on electric power situation in Yugoslavia]

[Excerpt] [Passage omitted] The electric power situation is somewhat better today since the Krsko nuclear electric power plant has resumed work.

All thermoelectric power plants are working and there are no great problems with conveyor belts for transporting coal. Power lines and transmission networks are still functioning well. [passage omitted]

FEC CLAIMS FEAR OF WAGE FREEZE 'UNFOUNDED'

AU120948 Belgrade BORBA in Serbo-Croatian 8 Jan 87 p 3

[Text] In the last month of last year there was a real explosion in personal incomes, mainly because people expected a wage freeze. We asked Slavoljub Stanic, undersecretary of the FEC, how he explains the whole situation and whether these fears were justified.

"The fear of a wage freeze is unfounded. An analysis of everything that happened in December will be made and all those who paid out incomes in excess of what was envisaged by the social agreement and the law in effect until 31 December will have to suffer the consequences. The money that has not been earned will not only be returned, but political responsibility also will be established.

"The Social Accounting Service will follow the existing regulations. The resolution has not been carefully followed and associated labor organizations must behave in accordance with their duties and the social agreement."

PRC PROVINCIAL DELEGATION BEGINS SERBIAN VISIT

LD090022 Belgrade TANJUG Domestic Service in Serbo-Croatian 1623 GMT 8 Jan 87

[Text] Belgrade, 8 Jan (TANJUG) -- A delegation from the Chinese province of Heilongjiang headed by Sun Weiben, secretary of the Communist Party provincial committee and member of the CPC Central Committee, arrived on a visit to the SR of Serbia today.

At Belgrade airport, the delegation was met by Slobodan Milosevic, president of the Presidium of the Serbian LC Central Committee; Desimir Jeftic, president of the Executive Council; Radoje Stefanovic, president of the Chamber of Economy; and Boza Jovanovic, president of the Republic Committee for Relations With Foreign Countries.

The 7-day visit by the Chinese delegation is part of the program of cooperation carried out between Serbia and Heilongjiang.

Meets With Serbian LC President

LD092153 Belgrade TANJUG Domestic Service in Serbo-Croatian 1539 GMT 9 Jan 87

[Excerpt] Belgrade, 9 Jan (TANJUG) -- Slobodan Milosevic, president of the Serbian LC Central Committee Presidium, today received a delegation from the province of Heilongjiang led by Sun Weiben, secretary of the Communist Party provincial committee and a member of the CPC Central Committee. The PRC guests will be staying over the next few days in the SR of Serbia within the framework of the program of cooperation this republic has been carrying out with the Chinese province since 1981.

It was reported that in a very cordial and warm atmosphere, characteristic of the friendly relations between Yugoslavia and the PRC, there was discussion of the further development and expansion of cooperation in a series of fields of common interest. Slobodan Milosevic familiarized the Chinese guests with the socioeconomic and political development of the SR of Serbia and with LC policy and activity in implementing congress decisions and solving current questions regarding the further improvement of the country's economic and political system, placing special emphasis on the more effective development of the functioning of the economy.

Sun Weiben Spoke of the current questions of internal development and the implementation of economic and social reforms in China and of the socioeconomic development of the province of Heilongjiang and its possibilities for extending cooperation in a series of fields with the SR of Serbia. The two sides also expressed satisfaction with the successful development of overall Yugoslav-Chinese relations and stressed in this regard the significance of the further development of cooperation between the SR of Serbia and the province of Heilongjiang in strengthening overall relations between the two friendly socialist countries. [passage omitted]

PRC OPTIMISTIC ABOUT FUTURE TRADE EXPANSION

AU121012 Belgrade POLITIKA in Serbo-Croatian 6 Jan 87 p 2

[B. Gvozdenovic Report: "It Could Be Better"]

[Text] Beijing, 5 Jan -- In China it is estimated that the value of trade with Yugoslavia could be doubled this year and exceed \$400 million. The estimate is based on the belief that both sides will do their best to realize this goal.

This was stated by Wang Pinqing, assistant minister of foreign economic relations and trade of the PRC, in his talk with Yugoslav journalists in Beijing.

"The total trade in 1984 amounted to \$131 million, which represents an increase of 65 percent in relation to 1983," he said. "The value of trade in 1985 amounted to \$189 million, an increase of 45 percent in relation to the previous year. If one looks at the data relating to the first 11 months of 1986 in which the trade amounted to \$183 million, then one could expect better results than those achieved last year. This means that a new record will be achieved. Therefore, thanks to the efforts of both governments, we both should be satisfied with what is being achieved."

Wang Pinqing explained that the Chinese Government has undertaken a number of measures to stimulate imports from Yugoslavia, particularly in the field of industrial cooperation. Although China is faced with a shortage of foreign currency, Chinese firms' imports from Yugoslavia are on a relatively high level. "We have noticed that the Yugoslav Government also has recently undertaken certain measures and that it is paying significant attention to trade with us. To remedy the trade imbalance it has also taken a number of steps, such as reductions in imports from China, various discounts, the promotion of barter trade, etc. This resulted in an increase of Yugoslav imports from China, which has also been reflected in a noticeable reduction of the trade deficit."

The ratio of Chinese imports to exports was 12 to 1 in 1984. Last year it was 5.7 to 1, and in the first 11 months of 1986 it was down to 1.6 to 1.

"This trend toward a more and more balanced trade will also work positively toward its expansion," stressed Wang Pingqng.

This is why it is quite realistic to expect trade this year to reach the desired \$400 million point. To achieve this, the efforts of both sides also are needed, said the Chinese assistant minister.

"We are of the opinion that one should continually exploit new products, apply the hard currency method of payments, introduce barter, get involved in reexporting and industrial cooperation, and so on. Nothing would then be insurmountable. Of course, one should always bear in mind that needs must be in accord with possibilities, while particularly trying to expand cooperation in the fields of electronics, machine building, chemistry, building materials, agriculture, and the food industry."

FEC VIEWS NAKASONE VISIT, ITALY TALKS, KOSOVO

LD092045 Belgrade TANJUG Domestic Service in Serbo-Croatian 1335 GMT 9 Jan 87

[Text] Belgrade, 9 Jan (TANJUG) -- At a session held today and presided over by Janez Zemljarić, the FEC established a platform for an official and friendly visit by Prime Minister of Japan Yasuhiro Nakasone to Yugoslavia. The Japanese prime minister will be paying a visit to our country on 14 and 15 January. This will be the first visit by a Japanese prime minister to Yugoslavia.

At the session, the council discussed and endorsed a report on the official visit by Federal Secretary for Foreign Affairs Raif Dizdarević to Italy on 17 and 18 November last year. The council also endorsed a report on the talks between the state delegations of Yugoslavia and Italy on cooperation in fishing industries, as well as a report on negotiations between representatives of the Federal Secretariat for Foreign Affairs and representatives of the Italian Foreign Ministry on this topic, which were held on 16 and 17 December last year in Belgrade. The council also discussed a report on the incident with the Italian fishing boat Aurora.

According to the information by the Federal Secretariat for Information, the Council assessed that the talks held between the representatives of the Federal Secretariat for Foreign Affairs and the Italian Foreign Ministry had been very useful and constructive, since they made it possible to continue negotiations to achieve an interstate arrangement and the founding and operation of a mixed association. In this connection, the council endorsed the proposal by the Italian side that negotiations between the two delegations on cooperation in the area of fishing industries should resume in the second half of January in Italy.

The FEC established the proposed changes to the law on the federal market inspection allowing for increases in fines for minor offenses by those associated labor organizations or other legal entities which in any way prevent inspectors from carrying out their duties. In this way, as it was pointed out, legal discipline would be increased, that is, the number of law breakers would be decreased, since the market inspectors would be carrying out their tasks more efficiently.

At today's session the council also established the proposed FEC stands on the comments and proposals by the committee of participants of the social compact on special measures to implement the policy of faster development of Kosovo by the end of this decade.

The council also established the proposed FEC stands on the comments and proposals by the committee of participants of the social compact on pooling labor and resources of the federation fund for financing a more expedient development until 1990 of the economically underdeveloped republics and Kosovo.

GOVERNMENT TO SEEK FISHING AGREEMENT WITH ITALY

LD092231 Belgrade TANJUG in English 1846 GMT 9 Jan 87

[Text] Belgrade, Jan 9 (TANJUG) -- The Yugoslav Government today adopted Italy's proposal that Yugoslav-Italian negotiations on cooperation in the fisheries be continued in Italy late this month.

The government adopted the proposal during a meeting to review the results of to date negotiations conducted by delegations of the two countries' foreign ministries in Belgrade last December 16-17, and of the two-day visit to Italy by Yugoslav Federal Secretary for Foreign Affairs Raif Dizdarevic last November.

The Yugoslav Government spokesman, Ambassador Aleksander Stanic, recently stressed that it is essential that the two countries reach an agreement on fishing in the Adriatic. The fact that Italian trawlers are continuing to fish illegally in Yugoslav territorial waters and that unwanted incidents are always possible, indicates the need for an imminent settlement of this question, Stanic said.

As Italian waters are not as rich in fish and shellfish, Italian fishermen are stubbornly fishing in Yugoslav waters, thus violating the territorial integrity of Yugoslavia. In the course of last December, police from the Yugoslav town of Umag registered between 20 and 30 Italian trawlers in Yugoslav territorial waters almost every other day.

BRIEFS

AMBASSADORS TO MOZAMBIQUE, CUBA -- Belgrade -- By a decree of the SFRY Presidency, Andon Mojsov, member of the Macedonian Executive Council, was named the new ambassador extraordinary and plenipotentiary of the SFRY to the People's Republic of Mozambique and the Kingdom of Lesotho. [Text] [Belgrade BORBA in Serbo-Croatian 5 Dec 86 p 5 AU] By a decree of the SFRY Presidency, Mihajlo Popovic, president of the trade council of the aluminum combine of Titograd and member of the LCY Central Committee, was named the new ambassador extraordinary and plenipotentiary of the SFRY to the Republic of Cuba. [Text] [Belgrade BORBA in Serbo-Croatian 20-21 Dec 86 p 8 AU]

AMBASSADOR LEAVES YEMEN -- 'Ali 'Abdallah Salih, president of the Yemem Arab Republic, received yesterday Petar Kostic, the outgoing ambassador extraordinary and plenipotentiary of the SFRY to Yemen. [Text] [Belgrade POLITIKA in Serbo-Croatian 19 Dec 86 p 2 AU]

NEW POLITIKA DIRECTOR -- Dr Ivan Stojanovic, associate professor at the Faculty of Economics in Belgrade, was named the new director of the POLITIKA publishing organization at the session of the Presidium of the Serbian SAWP Republican Conference held on 17 December. [Summary] [Belgrade POLITIKA in Serbo-Croatian 18 Dec 86 p 1 AU]